Austria ... Sch. 20	Indonesia .. Rp 2500	Portugal ... Esc 80
Bahrain .. Din 0.650	Italy .... L 1500	S. Arabia .. Rls 8.00
Belgium ... BFr 45	Japan Y550	Singapore .. S$4.10
Canada ... C$1.00	Jordan ..... Fils 500	Spain ..... Pta 125
Cyprus ... C£0.70	Kuwait ..... Fils 500	Sri Lanka ... Rup 30
Denmark .. Dkr 8.00	Lebanon ... L£ 8.00	[illegible]
Egypt .... E£7.80	Luxembourg . LFr.45	Sweden ... Skr 7.00
Finland .. Fmk 6.50	Malaysia .. Rm 4.25	Switzerland SFr 2.20
France .. FFr. 6.00	Mexico .. Pes. 300	Taiwan ... NT $35
Germany . DM 2.20	Morocco .. Dh 8.00	Tunisia .. Din 0.600
Greece ..... Dr 60	Netherlands . Fl 2.75	Turkey .... L 250
Hong Kong . HK$ 12	Norway .. Nkr. 7.00	U.A.E. ... Dh 6.50
India .... Rup. 15	Philippines . Pes. 20	U.S.A. $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,833 Monday January 20 1986 D 8523 B

Westland: A symptom of Britain's Euro-dilemma, Page 13

World news

Barracks mutiny quashed in Lesotho

Lesotho Prime Minister Leabua Jonathan appeared to have retained control of the Government after bloody clashes between rival factions within the 1,500-strong Lesotho paramilitary force.

Some 35 men were involved in a mutiny at barracks just outside Maseru, the capital. Two mutineers were shot dead, 23 arrested and 10 others were still being sought. **Page 2**

Channel link

President François Mitterrand and Prime Minister Margaret Thatcher are expected today to name the rail link proposed by Channel Tunnel Group as the winning cross-Channel scheme. Opponents have begun to prepare a strong attack on the decision. **Page 6**

Gemayel pressed

Lebanon's Moslem leaders intensified political pressure on President Amin Gemayel to step down while Christian groups sought to unify ranks in the face of anticipated Syrian reaction to a damaged peace accord. **Page 2**

Diplomatic concord

Prime Ministers Shimon Peres of Israel and Felipe Gonzalez of Spain met in the Hague amid tight security to set the seal on their new diplomatic ties.

Gulf ship attacked

One man was killed and eight injured in a rocket attack by Iraqi jets on a Dutch oil maintenance ship in the Gulf. The crew of the 495-ton Smit Maassluis was taken aboard an Iranian naval vessel.

Philippine blasts

A grenade explosion wounded three people at a campaign rally in Zamboanga, Philippines, for presidential contender Corazón Aquino. Some 50,000 people fled in panic from the city square after a second explosion. Aquino was not injured. **Election fears, Page 2**

Guatemala crash

Rescue workers hacked through thick jungle in Guatemala to retrieve the bodies of 93 people, some of them foreign tourists, who died in the country's worst air disaster. **Page 2**

Fighting in Kampala

Thousands of residents fled suburbs of Kampala because of fresh fighting between the Ugandan military Government and the rebel National Resistance Army. Many took refuge in the capital's Roman Catholic and Anglican cathedrals and churches.

Disarmament plea

The Supreme Soviet, parliament of the Soviet Union, called on the US Congress in a 10-page address to use its influence to achieve disarmament and to involve America in a so-far unilateral freeze on nuclear tests. **Star Wars doubt, Page 2**

Gandhi party shuffle

Indian Prime Minister Rajiv Gandhi named four close aides to senior posts in his Congress (I) Party, saying he wanted to revitalise and rejuvinate the organisation which celebrated its centenary last month. **Page 2**

Gucci guilty

Aldo Gucci, 80, former head of Gucci Shops, pleaded guilty to failing to pay more than $7m in US taxes and could face a term in a US prison.

Soviet 'parasites'

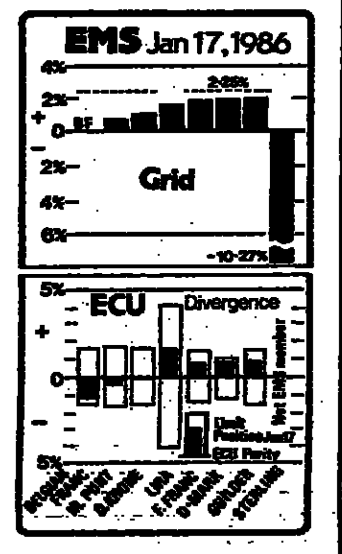
The Soviet newspaper Sovietskaya Rossiya expressed concern about the rising number of "parasites" who refused to work, living instead off friends and relatives or from begging and petty crime.

Business summary

Otis threat of price war in Finland

OTIS ELEVATOR of the US, the world's largest lift maker, is threatening to launch a price war in Finland if its joint venture agreement with Valmet, the Finnish state-controlled engineering group, is blocked. **Page 3**

EUROPEAN Monetary System: Central banks moved to avert speculative pressure on weaker members of the EMS last week. The Italian central bank increased various domestic interest rates while the Belgian central bank was probably active in the foreign exchange market. This was seen as an attempt to maintain current central parity rates at least until the French general election in a few months' time. Trading was fairly subdued for much of the week ahead of the weekend meeting of finance ministers in London. The lira stayed at the top of the system by virtue of its wider divergence allowance while the D-Mark was the strongest of the currencies bound by a narrower limit.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

TOKYO share prices fell in Saturday's half-day session. The Nikkei average shed 2.92 to 13,006.78 with non-ferrous metals hit by profit-taking. **Leading prices, Page 25**

FRENCH visible trade deficit was FFr 24bn ($3.17bn) in 1985, reflecting continuing high energy import bill and decline in surplus on industrial and manufacturing goods. **Page 2**

BRAZIL and its bank creditors began their fourth day of talks in New York amid growing expectations that the Citibank-led committee of lenders would bow to Brazil's demand for a partial restructuring of its $100bn foreign debt. **Page 2**

PORTUGUESE inflation dropped to just below 17 per cent at the end of 1985 compared with 28 per cent in 1984. **Page 2**

COFFEE: Officials from producing and consuming countries meet in London today to consider the consequences of recent heavy rises in futures prices. **Page 14**

MACK TRUCKS, US heavy-duty truck maker, said it would build a new plant outside of Pennsylvania because it had been unable to win concessions from unions there. The decision is likely to cost several thousand jobs in the north-east US. **Page 17**

INDOSTROGRANDNJA of Yugoslavia won a $30m contract to build a housing complex near the centre of Baghdad.

NORSK HYDRO has been given French Government consent to buy Cofaz, its biggest foreign purchase, which will make it Europe's No 1 producer of artificial fertiliser. **Page 17**

INTERFIRST, Texas bank hit by problems in US energy lending, reported virtually unchanged fourth-quarter earnings of $13.7m, fuelling Wall Street fears that it may have to cut its dividend again. **Page 14**

G5 rules out joint action to trigger interest-rate cuts

BY PHILIP STEPHENS AND GEORGE GRAHAM IN LONDON

FINANCE MINISTERS and central bank governors from the five leading industrial nations yesterday held out the prospect of lower world interest rates, but ruled out the possibility of a concerted move to provoke reductions.

The ministers, from the US, Japan, West Germany, France and Britain, concluded two days of talks in London with a pledge to hold the present pattern of currency values on foreign-exchange markets and resist any upward move by the dollar.

The so-called Group of Five (G5) indicated, however, that for the present there would be no further serious assault on the US currency comparable to the central-bank intervention that followed their celebrated agreement in New York last September.

The only official statement on the talks was a low-key communiqué saying: "The finance ministers and central bank governors were satisfied with the progress made so far. They agreed that their co-operation should continue and that the progress that had been made should not be reversed."

In a series of co-ordinated, unattributable briefings based on an agreed framework, however, several participants asserted that the prospect of falling inflation provided a favourable environment for lower borrowing costs.

Britain has pressed West Germany and France to end their opposition to negotiations between the International Tin Council and its creditors. Japan is expected to present a new rescue plan to tomorrow's meeting of the ITC. Page 6

Falling oil prices, weak world commodity prices and, outside the US, the fall in the value of the dollar, have all boosted optimism on the outlook for prices.

But at the same time the central bank governors emphasised that the timing of any reductions in each of the five countries would depend on developments in their domestic economies.

"There was a general sentiment that any movement in interest rates ought to be down rather than up. But there was no question of us agreeing to a simultaneous move," one participant in the talks said.

Mr James Baker, the US Treasury Secretary, was reported to be in favour of an early cut in the US discount rate, but Mr Paul Volcker, the Federal Reserve Board chairman in charge of US monetary policy, was more cautious.

The recent signs of more buoyant growth in the US economy appeared to have persuaded Mr Volcker that any reduction should be delayed. "I do not myself believe that anything is imminent," one European minister said.

Mr Baker was optimistic that the recent Gramm-Rudman act passed by the US Congress would result in a reduction in the budget deficit of between $30bn and $60bn in the 1987 fiscal year. He told the other ministers that recent questioning of the constitutionality of the measure represented only a technical hitch, which would be surmounted.

Despite the obvious intention of several ministers to provoke a favourable reaction when financial markets open today, they acknowledged that the central bank governors had been more cautious about the opportunities for lower borrowing costs.

West Germany in particular made clear that while it would not seek to prevent falls in market interest rates, its approach to official rates would be guided as much by domestic as international considerations.

"As far as the central banks are concerned, the stupidest thing we could do would be to try to push

Continued on Page 14

Distillers board discusses possible Guinness merger

BY LIONEL BARBER IN LONDON

DIRECTORS of Distillers (DCL), the UK-based international scotch whisky and gin business facing a hostile £1.9bn ($2.7bn) bid from Argyll, the supermarkets group, met yesterday to discuss a possible merger with Guinness, the brewer and drinks company.

The meeting, called at short notice after weekend news reports of a planned merger to block Argyll, follows discussions between Kleinwort Benson, Distillers' merchant bank adviser, and Morgan Grenfell, adviser to Guinness.

Guinness declined to comment yesterday, while Mr John Connell, DCL chairman, said, before attending the directors' meeting with Kleinwort Benson: "These reports came like a bolt from the blue."

Last year, Guinness launched a successful £365m takeover bid for Arthur Bell, the scotch whisky company. A merger would create a £3bn drinks business with more than 38 per cent of the UK scotch whisky market and more than 50 per cent of total whisky production in Britain, running the risk of a reference to the Monopolies and Mergers Commission.

A merger proposal announced by Distillers at this stage in the takeover battle with Argyll would also run counter to one of the main planks in DCL's defence. Newspaper advertisements have stressed that DCL's current management has succeeded over the past two years in reviving the company's fortunes and that it does not need outsiders to galvanise its performance.

The DCL board has been weighing up a number of options over the past three weeks to stave off Argyll. A merger with Guinness has been suggested; but so apparently has a takeover bid for Scottish & Newcastle breweries.

Last Thursday, the board discussed its formal defence document but came to no firm conclusion, though Mr Bill Spengler, deputy chairman, said he expected an announcement sometime this week. One institutional shareholder in DCL, which has discussed defence tactics with DCL executives, said last Friday: "If they don't act quickly, Argyll will simply run away with a victory."

At the end of last week, Distillers shares rose sharply by 36p to 567p, above the value of Argyll's bid which is 541p a share. The subsequent leaks about Guinness as a potential white knight will increase the pressure on the DCL board to clarify its defence, possibly in the form of a statement to the London Stock Exchange this morning.

Mr James Gulliver, chairman of Argyll, said that he had spoken yesterday to Mr Ernest Saunders, Guinness chairman. Mr Gulliver said that Mr Saunders had assured him that he would not make a bid for Distillers but that he could not rule out a merger between Guinness and DCL.

IBM seeks EEC research role

BY DAVID MARSH IN PARIS

IBM, the world's dominant computer company, is likely to participate in an EEC Commission research programme to develop European expertise in integrated telecommunications systems.

Participation in the EEC's Race programme – Research and Development in Advanced Telecommunications Technology in Europe – would amount to a significant step in the US group's strategy of building up its telecommunications presence in Europe.

Although no final decision has been taken, IBM is negotiating three different accords under Race involving hardware and software projects. The Centre National d'Etudes des Télécommunications (CNET), the French state telecommunications research organisation, confirmed at the weekend that discussions were "relatively advanced" with IBM's French subsidiary over a software research project, also involving Dutch and Italian institutions and GSI, the French computer services group.

Sums involved in Race are fairly small. The programme was set up last year with a budget of Ecu 43m ($38m), split between the EEC Commission, companies and research institutions.

Involvement by IBM would, however, be symbolically important. IBM is already participating in the EEC's Esprit electronics research programme, although that caused controversy among some European industrialists.

The US computer group sees participation in further programmes, with the research work carried out at its network of European facilities, as further consolidating its considerable European base.

The Commission hopes that IBM involvement will ease the way towards drawing up common standards for telecommunications equipment and networks in the 1990s. That is a key factor behind efforts by the European telecommunications industry to boost competitiveness in the fight against US and Japanese multinationals.

IBM's relations with the EEC have improved since settlement in summer 1984 of the Commission's long-running competition case against it. That involved pledges by the US company to disclose more information about computer interface equipment as a means of giving European groups a greater chance of competing.

IBM France, the country's second most profitable company, with group turnover of FFr 33bn ($4.4bn) in 1984 and 22,000 employees, admits its long-delicate relationship with the French Government has improved under the Socialist administration.

Race aims to pool resources in building large-band telecommunications networks, including new services combining voice, data and image transmission. IBM has been making a particular effort to use its computing expertise to open up new European markets such as videotex but has been unable to realise long-standing ambitions to break significantly into telecommunications.

Mr Kaspar Cassani, chairman of IBM Europe, said last October that the company aimed to double its European telecommunications business over the next five years but said it was being hampered by the monopoly of Europe's posts and telecommunications administrations (PTTs).

Rebels claim victory in South Yemen

By Kathleen Evans in Dubai and Richard Johns in London

THE BLOODY, week-long struggle for power in South Yemen peaked yesterday when the rebel faction representing hardline Marxism claimed it had seized power and Ali Nasser Mohammed, the country's leader, was reported to have made a flying visit to Ethiopia.

However despite this, outcome of the fight for the impoverished but strategically important country, where the Soviet Union has important military base facilities, was still unclear. Despite embarrassment and anxiety over the split within a client state, Moscow at least seemed to be assured of a successor basically sympathetic to its interests.

Britannia, the royal yacht of Britain, last night started a second rescue mission to pick up another 170 expatriates. Meanwhile Rear-Admiral Garnier, the commander of the vessel, said it was not under fire or in immediate danger, in spite of continuing gun battles in the region. However, he predicted that "conditions tonight will be fairly quiet."

A broadcast on the frequency normally used by the official Aden Radio claimed that "the armed forces of the (People's) Democratic Republic of Yemen (PDRY) have gained full control in the country, on the basis of collective leadership."

It quoted a statement in the name of the ruling Yemen Socialist Party asserting that an attempt by Ali Nasser Mohammed "to liquidate the collective leadershp and replace it with a dictatorship" had been foiled.

However, news reports from Addis Ababa said that President Ali Mohammed left last night to return to Aden after meeting Mengistu Haile Mariam, the Ethiopian leader.

The account of his flight from South Yemen came from an amateur radio operator in Israel who claimed to have monitored a conversation between the pilot of the head of state's personal aircraft and Addis Ababa control tower on Saturday.

Micky Gurdus said in Tel Aviv that the authorities granted permission to land after being told Ali Nasser Mohammed, who assumed South Yemen's leadership in 1980, was aboard. Previously the plane had been turned away and forced to land in Sanaa, capital of the Yemen Arab Republic (North Yemen), according to the Israeli monitor.

Sanaa Radio issued an official statement that a peace committee

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BAe may quit leadership of Westland bid

BY BRIDGET BLOOM AND LIONEL BARBER IN LONDON

THE BOARD of British Aerospace is expected to decide this week that the company must withdraw from the leadership of the European aerospace consortium which has offered a rival rescue plan for Westland, Britain's ailing helicopter manufacturer.

The decision will come as a blow to hopes that the four-nation consortium can continue successfully to challenge the Westland board, which failed at a shareholders' meeting on Friday to win the necessary 75 per cent majority for its favoured link with Sikorsky, the US helicopter maker, and Fiat of Italy.

BAe's decision raises the prospect of the collapse of the consortium, making it possible for Sir John Cuckney, the Westland chairman, to restructure the US-Italian plan to put it to a second shareholder vote where only a simple majority would be required.

A British Aerospace spokesman last night insisted that the company would not withdraw from the consortium altogether – to do so would be unnecessarily to offend its European partners, Aérospatiale of France, Messerschmitt-Bölkow-Blohm of West Germany and Agusta of Italy, with which it works closely on other defence projects.

But the company's involvement in the politics of the Westland crisis over the past ten days has convinced its directors that the decision to lead the consortium, announced in mid December, must be rescinded.

The company's problem stems from the controversy surrounding Sir Raymond Lygo, chief executive, and his relations with Mr Leon Brittan, Britain's Secretary of State for Trade and Industry, which has made it impossible for Sir Raymond to maintain a high profile in the affairs of the consortium in the wake of the resignation of Mr Michael Heseltine, the former defence secretary, who supported the consortium's formation and originally invited BAe to join it.

On Friday Sir Raymond retracted suggestions that at a controversial meeting on January 8, Mr Brittan had asked the company to withdraw from the consortium because it was not in the national interest for it to be involved.

Neither Sir Raymond nor Sir Austin Pearce, BAe's chairman, were available for comment last night but company officials privately admit that there is little stomach left within the company for a fight to push through the consortium's solution for Westland.

BAe, in partnership with GEC, would between them hold one quarter of a minority shareholding in Westland under the European proposals. However, GEC has all along maintained a low profile on the Westland issue and there is no indication that this will change now.

The position of the British companies is made even more difficult since the consortium now lacks political leadership following Mr Heseltine's resignation, Mr George Younger, the new Defence Secretary, will certainly have no interest in promoting its cause.

The formal position of the consortium, according to Mr David Horne of Lloyds Merchant Bank which is acting for the Europeans, remains that it is seeking a meeting with Sir John Cuckney to try to persuade him to have a shareholder vote on the European plan. However, it is very doubtful whether the French, Italian and German companies can by themselves sustain the momentum needed in the face of the certain hostility of Sir John, Sikorsky and the Westland board.

Last night Sir John said he would consider meeting senior representatives of the consortium. However his favoured alternative centres on a revised rescue proposal, still involving Sikorsky and Fiat, which would be put to shareholders as an ordinary resolution requiring only a simple majority vote.

It is thought that Sir John intends to seek the support from his board for that proposal today and that a new extraordinary general meeting could be held within a maximum of three weeks.

James Buxton in Rome writes: Mr Raffaello Teti, chairman of Agusta, said at the weekend that Agusta had no intention of changing sides and joining Sikorsky/Fiat rescue.

Mr Teti was responding to suggestions made by Italian politicians before last Friday's Westland shareholders' meeting that Agusta should make an agreement with the rival partnership, which includes Italy's largest private sector group.

But Mr Teti confirmed that there had been contact with Fiat on the question of Agusta joining the Sikorsky-led rescue. However he said that there had been "no negotiations" and that officially Fiat had shown no interest in the idea.

Fiat is in fact believed to have invited Agusta to join the Sikorsky rescue after it was formed.

Fiat yesterday repeated its official "no comment" to a report in the London Observer newspaper that last October it had had discussions with Agusta on the possibility of it buying a stake in the helicopter maker.

Financial sources here have con-

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CONTENTS

OVERSEAS NEWS

Lesotho revolt defeated after clashes

BY ANTHONY ROBINSON IN JOHANNESBURG

CHIEF Leabua Jonathan, the Lesotho Prime Minister, last night appeared to have retained control of the Government after bloody clashes between rival factions within the 1,500 strong Lesotho paramilitary force.

Mr Desmond Sixishe, the Minister of Information, said a paramilitary unit of 35 men had been involved in a mutiny at the Makoanyane barracks outside the capital Maseru on Friday night.

Two of the mutineers were shot dead and 23 arrested while the search continued for 10 others.

Prime Minister Jonathan told the South African Broadcasting Corporation yesterday that he remained in control of the country and expressed confidence in the commander of the paramilitary force, Major General Justin Lekhanya.

General Lekhanya was a member of the Lesotho delegation which held talks in Pretoria on Friday at which Lesotho agreed to step up its co-operation with South Africa on security matters.

The agreement, still to be finalised, followed a two-week economic blockade of Lesotho aimed at forcing it to expel African National Congress (ANC) activists and refugees from the country and tighten border security.

The mutiny is believed to have been caused by personal rivalries as well as political differences between leaders of the paramilitary force, mindful of South Africa's coercive powers, and those supporting the radical and sometimes pro-ANC sympathies of the ruling Basutho National Party (BNP) youth league, armed and trained by North Korea and Soviet bloc countries.

Senior officials of the paramilitary force are reported to have grown increasingly resentful of the activities of the youth league and tension came to a head last week as the blockade underlined Lesotho's dependence on South Africa. On Wednesday units of the paramilitary force surrounded Government headquarters and on Friday the Lesotho delegation agreed to set up a joint security commission as demanded by South Africa. Pretoria also repeated its concern at the size of Soviet, and other communist countries' diplomatic presence in Maseru.

Elements of the youth league and their supporters within the paramilitary force are understood to have argued that Lesotho should have resisted South Africa's demands

Despite retaining control, Prime Minister Jonathan's position is now believed to be under threat. The five opposition parties are divided and attention is now focusing on King Moshoeshoe, whose authority has been eclipsed by Chief Jonathan.

● Seven black miners were killed and 45 seriously hurt at the Kloof Gold mine west of Johannesburg owned by Goldfields of South Africa. A mine official said fighting broke out between Zulu and Pondo miners on Saturday night

Gandhi appoints ministers to top party posts

BY K. K. SHARMA IN NEW DELHI

MR RAJIV GANDHI, India's Prime Minister, yesterday dropped three senior ministers from his Cabinet and gave them top posts in his ruling Congress-I Party as the first step towards revitalising the organisation.

The most important change was the appointment of Mr Arjun Singh, the Commerce Minister, as vice-president of the Congress-I which is a new post in the party.

Mr Arjun Singh was made minister less than two months ago after he resigned as governor of Punjab. He was instrumental in finding the agreement between Mr Gandhi and the Sikhs that brought peace to the strifetorn state.

By giving Mr Arjun Singh what is virtually the top executive position in the Congress-I, Mr Gandhi is carrying out his intention of improving the party's structure as well as making it more democratic.

Mr Gandhi announced that internal elections in the Congress-I would be completed by next July. None have been held for more than a decade. He said he hoped the leaders would bring new life to the party.

Mr Gandhi's Congress-I has a comfortable four-fifths majority in the national parliament and controls two-thirds of the country's 22 states but has suffered recently in state elections and parliamentary by-elections.

The most serious setbacks were its defeats in elections to the Punjab and Assam state assemblies.

The shake-up in the party leadership came after Mr Gandhi's forthright attack on Congressmen during the party's centenary celebrations last month. He said the Congress-I had become moribund, complacent and carried a lot of deadweight.

Mr Gandhi retains hos own position as Congress-I President and has also allowed the "working president," Mr Kamalapati Tripathi, an ageing politician, to continue but by appointing Mr Arjun Singh as vice-president, he has given the leadership a younger look.

By dropping Mr Arjun Singh and two other senior ministers, Mr A. Anjiah, Labour Minister, and Mr Naval Kishore Sharma, Petroleum Minister, Mr Gandhi has also set the stage for major changes in his Cabinet which are expected in the next few days.

Soviet oil production falls

By Patrick Cockburn in Moscow

OIL PRODUCTION in the Soviet Union, the world's biggest producer, fell to 597m tonnes last year from 613 tonnes in 1984 despite a reorganisation of the industry and the removal of top managers.

The drop in output is attributed to the failure of the West Siberian oilfields where Moscow plans to spend Roubles 82bn (£75bn) in the next five years.

The fall is the second year in succession in which output has fallen. The final figures for last year published in the daily Socialist Industry, were 31m tonnes below the target of 628m tonnes mainly because of a shortfall during the severe winter.

In the first ten days of 1986 Socialist Industry said the fall in oil production continued with a further drop of 450,000 tonnes behind the plan.

The failure to meet targets in the oilfields of Tyumen in West Siberia is blamed on overproduction in the late 1970s and early 1980s. There has also been little development drilling, especially at deeper levels.

Many of the oilfields were developed too fast with insufficient infrastructure and limited mechanisation. In the plan for 1986 oil will receive an extra 31 per cent of capital investment, a much higher figure than originally expected.

About 3,000 wells in Tyumen are not working today, according to Socialist Industry. It also said that secondary recovery techniques were not being implemented fast enough and electricity supplies were often interrupted.

The Soviet Union normally produces about 12m barrels a day of oil and consumes 8.8m b/d. In addition to trying to keep oil production up Government is speeding up the substitution of oil at the power stations. About 500,000 b/d has already been substituted in the power stations between 1982-85 and this should rise by 1.1m b/d by 1990.

There is also a major programme to increase the proportion of electricity produced by atomic power stations to 40 per cent of total power generated by the year 2000.

Over the next five years 40,000 Megawatts from newly built atomic power stations will be added to the Soviet electric power supply.

Gemayel's resignation urged

BY NORA BOUSTANY IN BEIRUT

LEBANON'S Christian leaders tried to hammer out a united stand yesterday after Moslem militia chiefs demanded the removal of Lebanese President Amin Gemayel.

Mr Rashid Karami, the Lebanese Prime Minister, Mr Hussein al Husseini, speaker of the house, and former prime ministers were summoned to the Syrian capital to discuss ways of salvaging a reconciliation and reform agreement signed in Damascus last month.

The Syrian-brokered agreement suffered a setback last week when Christian militia commander, Mr. Elie Hobeika, was ousted following bloody battles with rival Christian groups.

Mr Walid Jumblatt Druze chieftain and Shi'ite Moslem leader Mr Nabih Berri vowed they would have nothing to do with Mr Gemayel and called on him to step down before the end of his term. The Moslem militia commanders had co-signed the accord with Mr Hobeika. Mr Berri declared that the only way out of the political deadlock was for Mr Gemayel to "shorten his term." Mr Jumblatt said any dealings with the present regime or a settlement with it were tantamount to "treason."

His PSP fighters, mobilised along mountain ridges facing Lebanese army positions protecting access to the Baabda presidential palace, stepped up a rocket and artillery barrage on Saturday night threatening to push through the Strategic Souk al Gharb axis.

Pro-Syrian militias dug into hills overlooking the upper Maten, Mr Gemayel's main stronghold, pounded Christian villages and summer resorts.

Although the recent turmoil in Christian areas has worked in Mr Gemayel's favour, the bellicose tone of Mr Berri and Mr Jumblatt, following their return from the Syrian capital, suggested the Christian Maronite President was in trouble.

Both Moslem leaders, furious at the reversal of Christian backing of the accord with Mr Hobeika's downfall, blamed Mr Gemayel for the setback.

The Lebanese President refused to endorse the Damascus agreement, signed by Mr Hobeika, Mr Jumblatt and Mr Berri, citing opposition by traditional power centres in the Christian community. Mr Berri scoffed at reports that Mr Gemayel had firmed up support behind him saying the Lebanese President no longer represented Lebanon's Moslems. The next head of state would have to be elected directly by a popular vote, he added.

Mr Karim Pakradouni, a central figure in the new leadership of the Christian militias, called Mr Abdel-Halim Khaddam the Syrian vice-president, on Saturday and assured him that recent events were an internal Christian affair and not directed against Syrian policy in Lebanon.

Meanwhile, an emergency committee was formed to avert any possible friction between followers of Christian commander Samir Geagea and Phalangists loyal to President Gemayel and to co-ordinate political strategy.

Peres hints at Soviet peace role

ISRAELI PRIME Minister Shimon Peres said yesterday that Jordan's King Hussein was "serious" in bridging Arab-Israeli differences, and added that the Soviet Union could be one of the participants in a Middle East peace conference, Reuter reports from the Hague.

There were indications that the Middle East peace process would intensify in the next few days during several meetings expected in the Netherlands between Mr Peres and Mr Richard Murphy, the US State Department's adviser on the Arab-Israeli conflict.

Mr Murphy, who was in Europe to arrange the proposed international conference, arrived in the Hague yesterday after meeting with King Hussein in London.

Mr Peres arrival in the Netherlands marked the start of a European tour aimed at gathering international support for a peace process without participation of the Palestine Liberation Organisation, which Israel regards as a terrorist organisation dedicated to the destruction of the Jewish state.

Mr Peres said the international forum could be formed "either by the two superpowers or by the five members of the Security Council" of which the Soviet Union is a member.

The US has in the past resisted a Soviet role in the Middle East peace process, and Mr Peres' statement appeared to be designed as a concession to Jordan's desire for a Soviet role.

Mali and Burkina Faso make peace

BY PETER BLACKBURN IN ABIDJAN

THE leaders of Mali and Burkina Faso this weekend shook hands, embraced and agreed to withdraw their troops from a contested border zone.

The public reconciliation between Mali's General Moussa Traore and Burkina Faso's Captain Thomas Sankara took place during a two-day summit meeting attended by seven heads of state belonging to the francophone West African non-aggression pact.

The meeting in the Ivorian political capital, Yamoussoukro, followed a five-day war that started on Christmas Day and in which 59 people are reported to have been killed before a ceasefire was arranged.

The troop withdrawal, which affects mainly Malian forces which have penetrated up to 100km into Burkina Faso territory, will be monitored by military observers from the non-aggression pact.

The war was over control of the remote and arid Agasher strip, some 800 km east of Bamako and 300 km north of Ouagadougou. Reports of mineral wealth are still unproven; a more immediate objective may have been possession of the River Beli, observers say.

The International Court of Justice in The Hague is due to issue a ruling on January 30 on the demarcation of the border in the disputed zone.

The Yamoussoukro meeting, even if it did not define the demilitarised zone, was a major diplomatic success for Ivory Coast veteran leader President Houphouet Boigny.

It was also a setback for Libya which, with Nigeria, negotiated a rival cease-fire agreement that involved monitoring by Libyan troops.

Venezuela seeks foreign oil investments

By Jo Mann in Caracas

THE VENEZUELAN Government is studying a variety of possible investment in foreign oil companies that would provide its own nationalised oil industry with greater flexibility and assured markets at a time of weakening international petroleum prices and stagnating demand.

After a weekend meeting of senior government officials and top executives of the Venezuela state oil monopoly, Petroleos de Venezuela, Mr Arturo Hernandez Grisanti, Minister of Energy and Mines, told reporters that it was imperative for the Venezuelan Government "to take urgent decisions on concrete agreements" that would expand Venezuela's interests in petroleum companies in other countries.

Although the minister would not mention names of potential partners, he said that these agreements would include purchases of refineries and distribution systems that would provide Venezuela with greater access to foreign markets and ensure placement of Venezuelan crude and refined products.

In the decade since Venezuela nationalised its oil industry, the country's economic backbone, different governments have studied the possibility of purchasing equity in foreign oil companies. Up to now, however, Venezuela has been extremely cautious in getting involved in oil operations offshore. It currently has a joint-venture interest in a West German refinery with Veba Oel and recently agreed to lease a refinery, formerly owned by Shell, from the Government of Curacao.

Over the past year or so, executives of Petroleos de Venezuela have held talks with a number of foreign companies to explore oil investment opportunities.

These companies include the Swedish refiner Nynas (of the Axel Johnson group), Sinart, a company with a distribution network and chain of service stations in the eastern US, Mobil, Arco, Champlain, Chevron USA, Tenneco, Citgo, American Petrofina, BP, Kerr-McGee, Asfaltos Españoles, Elf and ENI, among others.

Like other Opec members, Venezuela has seen its income reduced sharply due to weakening prices and demand on international oil markets. Its decision to take urgent action on new oil investments overseas has been a long time coming. Several Venezuelan oil experts have urged the Government for several years to expand its downstream operations.

Banks may bow to Brazil's demand for debt restructuring

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

TALKS BETWEEN Brazil and its bank creditors entered their fourth day in New York yesterday amid growing expectations that the Citibank-led committee of lenders will bow to the country's demand for a partial restructuring of its $100bn foreign debt.

No details of the discussions between the banks and a Brazilian delegation led by Mr Fernao Bracher, Central Bank governor, have been made public since the talks began last Thursday, but Mr Bracher is known to have asked for a restructuring of debt falling due in 1985 and 1986.

If they agree, the banks will be taking the unprecedented step of rescheduling a major borrower's debts without the back-up of a formal International Monetary Fund economic stabilisation programme.

In private talks with senior bankers before the negotiations started Mr Jacques de Larosiere, IMF managing director, expressed only limited support for Brazil's current economic policy, but bankers say a number of reasons have now emerged why they should drop their previous insistence on a formal IMF programme as a prerequisite for rescheduling.

It has become hard to argue the case for an IMF programme now that Brazil has posted a trade surplus of $12.4bn for 1985, the third largest in the world.

Bankers say they are also increasingly sensitive towards the political constraints on the government of President Jose Sarney and reluctant to jeopardise the democratic process in Brazil by imposing unrealistic economic conditions.

Both Mr Bracher and the banks agree that a longer-term solution to Brazil's problems is also more desirable than a piecemeal one involving the need for frequent rollover agreements on Brazil's $16bn short-term debt.

Unions challenge Alfonsin with general strike call

BY JIMMY BURNS IN BUENOS AIRES

ARGENTINA'S main trade union movement, the General Confederation of Labour (CGT), appears bent on a showdown with President Raul Alfonsin in a crucial political challenge to his two-year-old Government.

Labour leaders at the weekend launched a nationwide campaign—backed by posters, television advertisements, and increasingly vociferous anti-government statements—in support of a general strike on Friday.

The offensive, aimed at forcing the Government to loosen wage controls and abandon commitments to the International Monetary Fund, accompanies a wave of stoppages, mainly in the state sector.

In an angry weekend speech, President Alfonsin attacked the CGT and left-wing political parties for what he said was a conspiracy to overturn the democratic state. He appealed to labour leaders to change tactics "so as not to be confused with adventurers who conspire against democracy."

The speech reflected government concern that the current militancy of the unions had been sparked less by the traditional opposition Peronist Party than by the increasing influence, at grass roots level, of the Communist Party and Trotskyite groupings.

Union leaders accuse Mr Alfonsin of "authoritarian arrogance," and claim that the Government has indefinitely postponing its long-promised economic recovery programme at the request of the IMF.

There have been press reports that the Government is under pressure to tighten up on projected spending cuts for 1986 as a precondition for the unblocking of the third tranche of an IMF standby credit.

Computer experts cast doubt on Star Wars

BY REGINALD DALE, US EDITOR, IN WASHINGTON

A PENTAGON study group has cast severe doubts on the viability of President Ronald Reagon's "Star Wars" space defence programme as currently conceived, because of a failure to give enough priority to its intensely complex computer requirements, according to US press reports at the weekend.

The group of computer experts concluded that a strategic defensive system against nuclear missiles is theoretically feasible. Current plans, however, are likely to fail because the Pentagon and its contractors have designed the project improperly and lack the creativity to apply exotic new technologies, it said.

The group recommended that the Pentagon reverse its usual pattern of weapons development and work on the command, communications and control aspects of the system before buying the hardware. The Pentagon has put too much emphasis on weapons and not enough on the computer software needed to make the system work, it says.

At the same time, the group, composed of scientists from Government, industry and universities, drew a scathing picture of the US military-industrial complex as "an industrial culture that resists change and only takes naive risks," according to the Washington Post.

A spokesman for the Air Force said that contractors for the programme have accepted the group's conclusions and were beginning to change their approach. It was acknowledged that software and battle management systems had been "grossly under-funded."

The group said that while error-free computer programs could never be written, a "Star Wars" system could work if it was decentralised so that a failure in one program would not be fatal.

Tourists killed in Guatemala airliner crash

RESCUE WORKERS hacked through thick jungle in northern Guatemala yesterday to retrieve the remains of 93 people, some of them foreign tourists, who died in the country's worst air crash, Reuter reports from Guatemala City.

Civil aviation officials said many of the victims, who included Mr Aristides Calvani, former Venezuelan Foreign Minister, and Mr Alexander Skutovich from France, the European Community's representative in Caracas, were burnt beyond recognition in the fire that followed the crash.

The twin-engine Caravelle jet of the private Guatemalan company Aerovias was preparing to land at Santa Elena airport after a flight from the capital when it crashed into a jungle-covered hill on Sunday morning.

Airline officials said there were at least six US citizens on the flight as well as two Britons, two Canadians, two Dutch, a West German and a Greek.

Most of the foreigners were visiting the ancient ruins of Tikal near Santa Elena, one of the largest Mayan cities and a popular tourist attraction.

Philippines election fear

BY OUR US EDITOR

MR SALVADOR LAUREL, the Philippines opposition vice presidential candidate, yesterday claimed that the country's forthcoming elections "will look fair, but will be dirty."

Interviewed on NBC television, Mr Laurel said the government of President Ferdinand Marcos would do everything to make the February 7 poll look honest to election observers. In fact, there would be clandestine cheating through interference with election returns, he said.

Asked if he would serve as Mr Marcos's vice president if he won the separate vice presidential poll and Mr Marcos won the presidential election, Mr Laurel said that he would only do so if that represented the "true will" of the Filipino people.

Mr Marcos, interviewed on the same programme, said he could definitely get along with Mr Laurel as vice president and that such a development might even be good for the Philippines.

Meanwhile, the State Department said at the weekend that the US had reached agreement with the tiny Micronesian territory of Palau allowing it to build bases there if alternatives were ever needed to those in the Philippines. The Pentagon said the agreement completed a "defensive arc" in the Pacific.

Visible trade deficit disappoints Mitterrand

By Paul Betts in Paris

FRANCE recorded a visible trade deficit of FFr 24bn (£2.2bn) last year reflecting the energy import bill and a decline country's continuing high inthe industrial and manufacturing goods surplus.

The deficit, which compares with FFr 24.7bn in 1984 and FFr 48.9bn in 1983, is a disappointment for President Mitterrand's Government and contrasts with recent encouraging statistics on inflation and unemployment.

The country's balance of payments current account is expected to show a small surplus for 1985 of up to FFr 5bn, the industry and trade ministry said. This reflects strong gains from invisibles, especially tourist receipts. The current account was nearly in balance in 1984.

France had a larger than expected trade deficit last month of FFr 3.4bn on the basis of seasonally adjusted figures compared with a deficit of FFr 500m in November.

However, the Industry Ministry said that after a fall in large export orders in 1983, the trend had since improved with FFr 124bn worth of new orders signed in 1984 and between FFr 105bn and FFr 125bn last year. In 1983, export orders dropped to FFr 85.1bn from FFr 136.3bn in 1982.

The decline in the country's surplus in the manufacturing and industrial sector continues to worry the authorities. Last month the surplus in this sector totalled FFr 5.3bn compared to a surplus of FFr 6bn the month before and a monthly average of FFr 8bn in 1984.

Mrs Edith Cresson, the French trade and industry minister, has been promoting French trade with Moscow during talks in the Soviet Union this weekend. Trade relations between France and Moscow appear to be on the mend.

Inflation rate in Portugal falls to 17%

By Diana Smith in Lisbon

THE Portuguese annual inflation rate fell to just below 17 per cent at the end of 1985. In 1984 the rate was 26 per cent.

The austerity imposed by the former centre left government also helped to shift the current account into a small surplus—of $50m (£34m)— by reducing demand for imports. Higher exports and tourist revenue also contributed to the surplus.

Economic growth picked up in 1985 to 3 per cent, compared with 0.5 per cent negative growth in 1984.

The new Social Democrat minority government is aiming for growth of 3.5 per cent in 1986, allowing the current account deficit to expand to about $700m as a result of renewed public and private investment.

Portugal's stronger reserves and its access to a wide range of funds as a full EEC member will permit measured growth of imports and the current account deficit.

House arrest for Ruiz-Mateos

By Tom Burns in Madrid

MR Jose Maria Ruiz-Mateos, the former chairman of the Rumasa banking and business holding who was extradited from West Germany last November, was released from a maximum security prison at the weekend and remanded in his luxurious Madrid home under house arrest.

The tycoon returned to his mansion in the exclusive Somosaguas suburb under the same blaze of publicity that has surrounded him ever since he fled Spain following the government's decision to expropriate Rumasa in February 1983 because it was allegedly close to bankruptcy.

Mr Ruiz-Mateos had been in custody at the Alcalca-Meco jail, while preliminary investigations were conducted into alleged business malpractice that led to what government prosecutors argue was Rumasa's near collapse. His defence team claims he can only be tried for the relatively minor offences concerning internal accounting fraud.

Islands dispute prevents full thaw in Soviet links with Japan

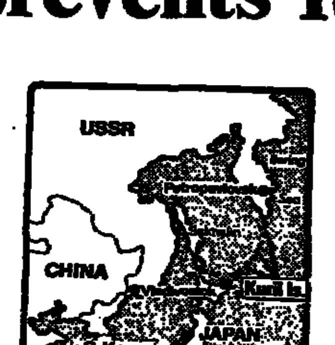
BY JUREK MARTIN IN TOKYO

JAPAN and the Soviet Union remain at an effective impasse over the status of the four Kuril Islands to the north of Japan.

Mr Shintaro Abe, the Japanese Foreign Minister, claimed here yesterday considerable satisfaction from the fact that the two sides had agreed to resume regular consultations and that he would be going to Moscow later this year to continue negotiations on a peace treaty. Japan will only sign the treaty if the Soviet Union agrees to return the islands, occupied since the war.

Mr Eduard Shevardnadze, his Soviet counterpart, said at a Press conference that "the two sides do not see a coincidence of views." He made it clear that in his talks with Mr Abe, the Soviet position had not changed. Japanese officials confirmed that Mr Shevardnadze had said that Soviet occupation of the islands was legally and historically justified and that there was nothing to negotiate.

The joint communique issued yesterday contains just one oblique reference to the issue. It stated that the two foreign ministers had conducted "negotiations on the conclusion of a peace treaty, including the problems which might constitute the content of the said treaty, on the basis of the agreement affirmed in the joint communique of October 10, 1973."



Japan had been encouraged by that statement, which was amplified by an "aural agreement" when then President Brazhnev told former Prime Minister Tanaka that the "unresolved issues" left over from the war included the status of what Japan calls its "northern territories."

Yesterday, Japanese officials, keen to present last week's ministerial talks in the best possible light, contended that in reaffirming the 1973 communique as a basis for continuing negotiations the Soviet Union had at least acknowledged that Japan had a case.

But they also conceded that Mr Shevardnadze had said nothing even remotely comparable to Mr Brezhnev's remarks to Mr Tanaka.

They added, however, that by discussing the territorial question, in what was described as "heated debate," Mr Shevardnadze had at least moved beyond the longstanding obduracy of his predecessor, Mr Andrei Gromyko, who refused to come to Tokyo after 1976 simply because the issue was bound to be raised.

"This means that even if the Soviet side claims there is no issue, it is important that they talked about it," one official said.

Japan believes it achieved another objective in getting the Soviet Union to agree to resume regular ministerial consultations.

Mr Abe will go to Moscow later this year, Mr Shevardnadze is due to come back to Tokyo next year and reciprocal visits by the two heads of government, Mr Yasuhiro Nakasone and Mr Mikhail Gorbachev, are to be discussed.

Both Mr Abe and Mr Shevardnadze praised the positive and businesslike climate that had characterised their talks, which, they said, augured well for future bilateral relations.

The two sides did sign two minor agreements here — on trade payments and double taxation — and agreed to upgrade the status of their annual trade negotiations to deputy ministerial level.

But they did not resolve outstanding fisheries disputes and they deferred until Mr Abe's trip to Moscow later this year further consideration of a cultural exchange agreement.

A long term economic co-operation agreement is, in Japan's eyes, subject to the successful conclusion of a peace treaty and thus does not appear realistic.

Mr Shevardnadze devoted much energy to explaining Mr Gorbachev's latest proposals to eliminate weapons of mass destruction, be they nuclear, chemical or space-based.

At his press conference (the first, he said, that he had ever given outside the Soviet Union), he criticised the US strategic defence initiative as inconsistent with the professed US commitment to peace.

He quoted former President Lyndon Johnson's axiom—"he who controls space will rule the earth"—as indicative of the real US objective.

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WORLD TRADE NEWS

India to press oil majors to bid for offshore areas

BY JOHN ELLIOTT IN NEW DELHI

INDIA is to launch an international campaign next month to try to persuade foreign oil companies which have refused offers of business in the past four years to bid for a major *round of offshore oil* exploration contracts.

Details of the terms for the bids are to be announced in a few weeks and the Indian Government will then stage conferences during March in London, Singapore and Houston to sell its proposals to multi-nationals.

The Government hopes that the gradual opening up of India's economy together with a decline in international oil exploration opportunities, will persuade companies to explore for oil which could be produced in the early 1990s when international oil prices are forecast to improve.

For the first time in India, *companies will be free to carry* out seismic surveys without commitment to carry out later exploratory work.

But a company which offers to drill for oil will probably be given preference over those which only go for a seismic option. This provision will complicate the assessment of the offers.

There will be no signature or production bonus requirements and the government is expected to announce special tax concessions.

Companies will be required to sell all the oil they produce until they have covered their own costs after which they will negotiate a production sharing arrangement.

A total of 27 or 28 blocks are to be offered off the west and east coasts, but excluding the Bombay High field where oil and gas is already being produced. Each block will vary from 8,000 to 20,000 sq kms and will not be deeper than 150 to 200 metres.

The new proposals have been prepared after detailed consultations with oil companies about terms they might accept and after a report from Guinness Peat of the UK on terms introduced in about 10 other countries, including China.

The aim is to reduce the advance commitments companies have been asked to make.

But international oil companies from the US, UK and elsewhere are still sceptical about India's willingness to negotiate terms they would find acceptable in this, its third round of offshore oil bids.

No companies responded to a second round in 1983. Only Chevron of the US came to an agreement in the first round a year earlier and it withdrew last February after sinking three dry wells and spending $32m.

The work will supplement a limited amount of offshore exploration carried out by the government-owned Oil and Natural Gas Corporation and Oil India.

Discovery of major oil and gas reserves offshore from Bombay on the west coast of India has helped boost the country's economy. The country is now about 70 per cent self-sufficient in oil and is producing about 30.4m tonnes in the current 1985-86 financial year.

But, compared with dramatic growth in earlier years, this is *only a small increase* over the 29m tonnes produced in 1984-85 and the level of self-sufficiency is likely to decline as domestic demand increases.

Brazil and Argentina to liaise in aeronautics

By Jimmy Burns in Buenos Aires

BRAZIL and Argentina have signed an aeronautics co-operation agreement which will initially focus on joint production of the Brasilia, the pressurised 30-seater *turbo-prop developed by* Embraer, Brazil's state-controlled aircraft company.

The move is a significant step forward for efforts at regional, political and economic integration launched by Presidents Raul Alfonsin and Jose Sarney at their summit in Foz de Iguazu in November.

Under the agreement, Fabrica Militar de Aviones (FMA) Argentina's state-controlled aircraft company, will supply Embraer with chemically-milled parts for the fuselage, wings and tail of the Brasilia. FMA will receive *training and technological* transfer from Embraer for the manufacture of carbon-fibre parts used mainly in engine blades.

Mr Ozilio Silva, Embraer's commercial director, said that long-term co-operation would include work on development of a 19-seater turbo-prop.

This would replace the Bandeirante whose commercial success since its launch in 1972 has been fundamental to the growth of the relatively new Brazilian aircraft industry. The aircraft was launched as a workhorse for commuter airlines and for military purposes, and 443 have been sold to 24 countries.

Mr Silva would not, however, confirm reports that the agreement could lead to the harmonisation of military and civilian projects involving the two countries.

The agreement coincides with a worldwide sales drive to promote the Brasilia, partly to compensate for the recent setback for the Bandeirante which was withdrawn for examination of suspected problems with its tailplane last month. This followed the crash of a Bandeirante in Florida.

Moscow cuts plans for petrochemical plants

BY PATRICK COCKBURN IN MOSCOW

THE Soviet Union has scaled down plans to build four petrochemical projects, each worth more than $1bn, over the next five years because it *is giving priority* to the re-equipment of plant.

The project to build a polyvinyl plant on the shores of Lake Baikal in Siberia has been cancelled, international bidders have been told. Another scheme to build a nylon plant at Kursk has been delayed, but might still be resurrected during the present Five Year Plan (1986-90).

The two projects still going ahead, for which British companies are bidding, are a polyolefin plant in the north Caucasus and a polyester plant in the Urals. The Soviet Union has recently launched a 15-year programme aiming at a 150 per cent increase in the output of plastics and synthetic resins.

It is still not clear when the contracts for the two plants which are going ahead will be awarded. The minister for foreign trade and other senior officials have recently been changed and there is also a disinclination among Soviet foreign trade *organisations* to award contracts before economic policy becomes clearer.

Despite the investment priority given by the Soviet leadership to high technology and re-equipment, diplomats in Moscow do not expect a surge of orders for Western companies. They say there are two *reasons for this:*

● Moscow wants to rely as much as possible on imports of machinery from Eastern Europe, notably East Germany and Czechoslovakia, in return for its exports of oil and gas. Senior officials say that where they cannot obtain high technology from the West because of restrictive legislation they will not be prepared to accept less efficient equipment.

● The level of Soviet imports from hard currency supplies will be limited by the fall in Soviet export revenues. These have been hit by a decline of some 4 per cent in oil exports last year and the drop in the world oil price.

The Soviet Union needs to keep its customers for gas which has given increased leverage to consumers such as West Germany, Italy and France in the award of contracts. This was exemplified by the visit of Mrs Edith Cresson, the French Foreign Trade Minister, to Moscow to discuss increasing trade.

Paris wants the Soviet Union to redress the adverse trade balance with France which amounted to FFr 4.5bn (£410m) in the first 11 months of last year.

Usinor, France's state-owned steel group, has concluded an agreement with the Soviet Union to supply 3m tonnes of steel over the next five years, AP-DJ reports from Paris.

The accord, worth FFr 11.5bn (£1.05bn) to Usinor through to 1990, was signed during a meeting of the Franco-Soviet mixed commission in Moscow, Usinor said.

The group said the agreement replaced a two-year accord signed in May last year under which Usinor was to supply 1.4m tonnes of steel tubes and plate in 1986 and 1987. The contract was worth FFr 4bn which the Soviet side agreed to pay in cash. But because of delays in payment Usinor suspended deliveries scheduled for the last quarter of 1985 and the first quarter of 1986.

Under the latest agreement which covers a wider range of products than the 1985 accord the Soviet Union will also import very heavy sheet and stainless steel sheet from Usinor.

Deliveries will be stepped up from 600,000 tonnes in 1986 to an annual rate of 1m tonnes starting in 1988. Price and payment terms are to be renegotiated on a quarterly or half-yearly basis.

US GROUP IRKED AT ATTEMPT TO BLOCK JOINT VENTURE

Otis threatens lift price war in Finland

BY OLLI VIRTANEN IN HELSINKI AND IAN RODGER IN LONDON

OTIS ELEVATOR *of the* US, the world's largest lift maker, is threatening to launch a lift price war in Finland if its attempt to set up a joint venture there with Valmet, the Finnish state-controlled engineering group, is blocked.

The deal setting up the venture was to be signed last Tuesday, but was postponed *because of a government* demand that Valmet reconsider it.

The Government was responding to pleas from Kone, the leading Finnish lift maker, to prevent Otis from enlarging its presence in Scandinavian markets.

Kone, which has 60 per cent share of the Finnish market, said that it would make a counter offer to Valmet, matching Otis's terms

Valmet, however, is very suspicious of the Kone counter-*offer, fearing that if Kone took* over, it would close the Valmet factories and shift production to its own plants.

Kone, a family controlled company which is often called Finland's only true multinational, is a major competitor in the international lift industry with a 6 per cent world market share.

It argues that if Otis obtained a Finnish base, the US company would cut deeply into Kone's dominant position in Scandinavian markets, with adverse effects on jobs in its Finnish factories.

Valmet, which makes lifts in Finland under licence from the Swiss group, Schindler, has 30 per cent of the Finnish market, and Kone claims Otis would try to increase it. Kone also objects to the idea of a Finnish state-owned company helping a US competitor.

Otis, a subsidiary of United Technologies with a 23 per cent share of the world lift market, has been trying to penetrate the Finnish market for 15 years. It claims that even though Finland is small, Kone makes very large profits on its sales in its home market because of the lack of competition.

An opportunity for Otis *emerged last year when* Valmet, which wants to expand its lift business, was unable to convince Schindler, the world's second largest producer, to give it marketing rights outside Finland. Otis offered Valmet a 30 per cent stake i na joint venture, to be called Valmet Otis, and agreed that the venture could make Otis lifts for the entire Scandinavian area.

Two Otis officials went to Helsinki last Tuesday expecting to sign the joint venture deal, but were told that Mr Jermu Laine, *the Finnish Minister of* Foreign Trade an dchairman of the Valmet supervisory board, had decided that the board should consider the matter further at a meeting tomorrow.

Mr Pierre Fougeron, president of the Otis European operations, based in Paris, said he did not understand why Kone should be afraid to compete with *Otis in Finland. He pointed out* that Otis had never tried to block Kone when it made acquisitions in Europe or the US.

Mr Ian Reynolds, senior vice president of Otis Elevator International, claimed that the joint venture had the full support of the management and trade unions at Valmet.

On Friday, he warned that if it were blocked, Otis would not go away. "We shall then fight to get the 30 per cent market share we seek.

Curbs reduce Greek imports by $300m

By Andriana Ierodiaconou in Athens

GREECE, which imposed a deposit requirement on a wide range of imported products last October, has seen imports on the controlled list fall by $300m in the last three months of 1985 against the same period in 1984. The controls were introduced to reduce the country's current account deficit.

The Economy Ministry says imports of products for which a deposit is required are expected to fall by 25 per cent in 1986, compared to 1985.

About 41.5 per cent of total imports are subject to the advanced deposit scheme. Importers have to maintain a non-interest bearing deposit worth 40 per cent or 80 per cent of the total value, depending on the category, for six months at the Bank of Greece.

Delors in Tokyo to stress EEC concern about trade

BY QUENTIN PEEL IN BRUSSELS

MR JACQUES DELORS, the president of the European Commission, arrives in Japan today on the most sensitive foreign mission of his term in office, determined to raise the level of Japanese awareness of European concerns on trade and international economic issues.

His four-day trip comes in the immediate aftermath of a new hardline resolution passed by the European Parliament last week, calling on the Commission to take Japan before the General Agreement on Tariffs and Trade (Gatt) for unfair trade practices.

Mr Delors will undoubtedly seek to be diplomatic on a high-profile visit which includes an audience with Emperor Hirohito as well as talks with Mr Yasuhiro Nakasone, the Prime Minister, Mr Shintaro Abe, the Minister of Foreign Affairs, and Mr Michio Watanabe, the Minister for International Trade and Industry.

A key part of his message will none the less be to stress the rising level of political anger in the EEC at the rapid growth of the Japanese trade surplus, and the ineffective measures to date in opening up the domestic market to foreign imports.

A package of EEC measures affecting trade relations with Japan, due to be published last autumn, has been held back until the spring, at least in part to avoid souring the atmosphere of Mr Delors' visit.

According to the Commission, the trade deficit of the former *10 member states of the EEC* with Japan reached almost Ecu14bn ($12.3bn) in the first 10 months of last year, compared with only $7bn in 1978.

The European Parliament's motion, passed with the support of all the major political groups, dismissed Mr Nakasone's market-opening measures of last July as insubstantial, offering only "a convenient appearance of action."

The motion deplored the refusal of the Japanese Government to set specific targets for increasing imports, and urged member states to re-open Gatt proceedings against Japan for keeping its market closed to foreign competition.

Apart from general talks on trade relations, Mr Delors is expected to discuss international economic affairs, and the preparations for the forthcoming economic summit in Tokyo with Mr Nakasone. The two men enjoyed a good personal relationship when they met on the Japanese premier's European tour last year, according to officials on both sides.

Carla Rapoport adds from Tokyo: Japan's trade surplus with China jumped to a record $5.9bn in 1985, but is forecast to drop to around $3bn this year.

According to a report yesterday by the Japan External Trade Organisation (Jetro), *Japan's trade surplus with* China increased by 4.7 times in 1985 over 1984 because of a sharp increase in sales of Japanese consumer goods, such as car and home appliances.

Japan's exports to China jumped 72.9 per cent over the previous year to $12.47bn and imports increased by 8.8 per cent to about $6.5bn.

The six-nation Gulf Co-operation Council (GCC) said in Bahrain yesterday it regretted the European Community's re-imposition of customs duties on Saudi Arabian petrochemical products, Reuter reports. It said in a statement that the measure taken last week broke an agreement reached between the GCC and the Community in Luxembourg in October.

Venezuela to spend $933m on flexicoker

By Joe Mann in Caracas

THE VENEZUELAN Government is to invest about $933m (£643m) on a flexicoker, which processes residual oil components at its oil refinery in Cardon, Western Venezuela. The new plant, which will use technology developed by Exxon of the US, is the largest project planned by the Venezuelan oil industry.

Maraven, the Government-owned oil company responsible for the project, said work on the plant would begin this year. It will have a foreign component of about 35 per cent.

The project is being developed to enhance the diversification of Venezuela's oil export mix and make one of its main refineries more flexible. The flexicoker will be designed to process about 69,000 barrels a day of residual oil components into a variety of oil products, such as petrol and distillates.

The process is ideal for Venezuela, whose oil industry has large reserves of heavy crudes. Heavy oils can be converted into higher value, light oil products through high-temperature thermal conversion.

The new residual conversion unit will be installed at Maraven's Cardon refinery in Falcon state, not far from the flexicoker at the Amuay refinery, operated by Lagoven. Both companies are subsidiaries of Petroleos de Venezuela, Venezuela's national oil company. Cardon, owned by Shell until all foreign oil operations were nationalised a decade ago, is Venezuela's second largest refinery (after Amuay), with a throughput capacity of 265,000 b/d.

Maraven said that the project should be on stream by 1990. There are only three flexicokers operating in the world: one in California, another in Tokyo and the third at Amuay. Two other flexicoker units are being built in Rotterdam and Houston.

SHIPPING REPORT

Tanker rates weaken

BY ANDREW FISHER, SHIPPING CORRESPONDENT

TANKER RATES eased last week, with little demand for the large *vessels stationed* around the Gulf. The market is expected to strengthen during the year, but rates are likely to show sharp fluctuations because of persistent uncertainties over price and demand.

E. A. Gibson Shipbrokers of London noted there had been a dearth of inquiries for VLCCs and ULCCs (very large and ultra large crude carriers) of more than 200,000 deadweight tons in the past few weeks.

Traders have been reluctant to purchase oil when prices have seemed about to fall in the latest market confusion. Thus few ships came out of lay-up to trade again.

But *the laid-up* total dropped by a further 3m dwt to 36.5m dwt in the month to mid-January as a result of sales for scrap or conversion into other types of cargo carrier. Last year saw a sharp jump in demolition sales.

Drewry Shipping Consultants reckoned the tanker market should show a modest improvement this year. Rates picked up considerably towards the end of 1985, but then tailed off.

Demand for tankers should rise by just over 4 per cent in 1986, while the supply of tonnage should drop by slightly more than 7 per cent. But this would still leave a big surplus.

Drewry estimated the tanker surplus would be 93m dwt (out of a total fleet of 241m dwt) at the end of this year, down from 111m dwt at the start (total fleet 253m dwt).

World Economic Indicators

RETAIL PRICES (1980 = 100)

					% change over previous year
	Dec. 85	Nov. 85	Oct. 85	Dec. 84	
UK	143.6	143.5	143.0	135.9	5.7
	Nov. 85	Oct. 85	Sept. 85	Nov. 84	
W. Germany	121.3	121.1	120.9	119.2	1.8
France	160.1	159.8	159.3	152.8	4.8
Italy	195.7	194.3	192.3	179.8	8.8
Netherlands	123.2	123.2	122.8	121.0	1.8
Belgium	141.8	141.4	141.5	136.1	4.2
US	132.3	131.9	131.3	127.7	3.6
Japan	115.2	116.3	114.7	113.0	1.9

Source: Eurostat

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

UK industry

A lesson which must be learned

Hazel Duffy on a schools initiative

GRIFTON ENTERPRISES, an adventurous small British company, went into liquidation last April. During its short life it made a gross trading profit of £436.43. After deductions, bonuses to staff and donations to charity, this represented a return of 180 per cent to shareholders plus their initial 25p investment.

The company's most successful product was a yellow furry banana, made and sold in Sheffield. But it also exported cushions to West Germany with some success.

Grifton Enterprises was formed in the autumn of 1984 by a group of sixth formers in a Sheffield comprehensive school under the umbrella of Young Enterprise, one of the many organisations which exist in Britain — with mainly industrial backing — to narrow the intractable century-old gap between education and industry.

The aim of the company was not to make a profit — although 90 per cent of the 700-plus YE companies do break even or make a small profit — but to involve young people in the "real" world of industry and commerce. "These companies are a bridge to employment and to maturity," says Derek Jackson, director general of Young Enterprise.

Young Enterprise was founded 23 years ago on the basis of a similar scheme operating in the US. It is just one of over 80 organisations which have the specific purpose of forging links between education and industry. They range from a CBI offshoot called Understanding British Industry, through schemes run by the London Chamber of Commerce and the TUC, to a host of charitable bodies.

The organisers of Industry Year 1986, which was launched late last week, intend to use a select handful of these bodies to achieve their target of linking every secondary school with a company by the end of the year. In many respects, this objective seems the most tangible for the many companies and other bodies which are being exhorted as part of Industry Year to make strenuous efforts to increase social awareness of the importance of industry.

In 1986, just as in previous years, the problem for the many companies which have no link with education — particularly small companies — is which organisation to work through. The same applies to schools which have no links with industry.

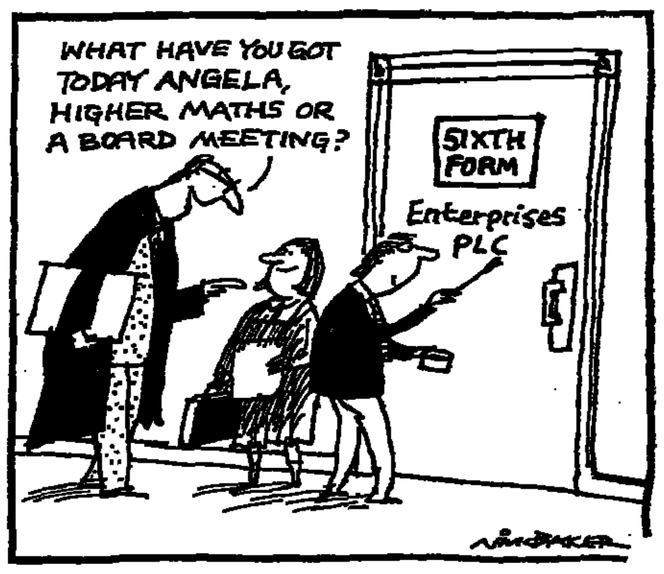
"Ideally, there would be one central body to which they could all apply," says Dr Eric Bates, formerly a scientist and manager at ICI, and now head of the Industry Education Unit which he founded in 1979 at what is now the Department of Trade and Industry.

Instead, they are faced with a veritable myriad of bodies — a recent paper likened them to a galaxy, at which the closer one looks, the more stars are likely to appear.* One personnel manager is quoted as saying that the "communications flow is already hopeless," a sentiment echoed by an adviser in a local education authority, who complains: "I feel lost in the firmament."

Help might at last be at hand for the bewildered industrialist or teacher who feels it is time to try to close the gap. For the first time, a data bank is being built up of all existing links; it will operate under the guidance of the Royal Society of Arts, the prime mover behind Industry Year. Whitehall has also published a selective directory listing the more active bodies and their special areas of activity.

"There has been far better co-ordination over the past five years between the bodies in terms of financial appeals and geographical rationale," says Bates. Rationalisation cannot be enforced, because the role of central government in this field is largely advisory. There is also a fear that if some of the bodies lost their almost missionary-like zeal the result would be a diminution of the overall effort.

Considering that probably only between a quarter and a third of secondary schools already have a link (it is a measure of the uncharted waters in this field that nobody precisely knows), there is plenty still to be done.



Numbers are not everything, however. The quality of the link between school and local company is at least as important. The experts warn against children making company visits without adequate preparation and follow-up seminars where they can ask questions.

The various types of enterprise scheme, based on the formation of companies or co-operatives by young people, call for considerable effort and planning by teachers and managers. Youngsters on the Young Enterprise schemes, for instance, must have expert advice on setting up and running their company.

Willing helpers, however, are not always the best people to give advice to young people. "We do find the variable quality of advisers a problem," says Derek Jackson of Young Enterprise." They might be well-intentioned, but if they can't explain things well then teachers often have to work alongside them."

"I find that the main problem is to get teachers to look outwards," says Jack Peffers, director of the Schools Curriculum Industry Project (SCIP), an unrelated scheme which works more through the education system, by arranging for teachers to be seconded as co-ordinators between industry and education in local education authorities.

SCIP seeks to make industry relevant in the development of the schools curriculum in a number of ways: through case studies and enterprise schemes which are run within school hours (unlike YE which takes place in after school time), and through regular curricula steering committees, composed of the Local Education Authority co-ordinator, management from local companies, and trade unionists.

SCIP, set up by the Schools Council in 1978, is expanding. Over half the nation's Local Education Authorities (LEAs) have co-ordintors now, and the plan is to move towards full LEA funding of SCIP during the next decade. In the meantime, it has sponsorship from industry and the TUC, while the DTI pays one third of the costs of the co-ordinators.

SCIP is also one of the organisations used in the Mini-Enterprises scheme, launched recently by Bates's unit in conjunction with the National Westminster Bank. The scheme will promote existing programmes in industry and commerce, local education authorities and schools.

Assessment of the value of existing links in any professional manner has yet to be made. But the reports of young people like Jon Sandham, 17-year-old managing director of Grifton Enterprises, underline the valuable experience and preparation which such schemes can offer. He highlighted the difficulties encountered in overproduction, finding sales outlets, and coming to terms with the legal problems of exporting, all of which were resolved with a bit of experience.

Bates' targets are more general: that every 16-year-old should understand the meaning of cash flow, know how to work with people, and be able to work as a team. These, he says are "vital attributes for every child, non-academic as much as the academic."

* *Education and Industry Report compiled for NEDO by Brian Stevens and Simon Clements.*

Science research put on the rack

David Fishlock on the painful struggle facing some top British scientists

SOME OF Britain's top scientists are being paid by the Government to try to forecast the future. They are wrestling with such questions as the chance of a breakthrough in, say, physics or biology which could cost Britain dear if the nation is not abreast of that area of science at the time.

Professor Sir David Phillips

SCIENCE BUDGET: Who gets what 1986-87

	Budget £m*	Share of extra £15m
Agricultural and Food RC	52.7	2.5
Economic and Social RC	23.6	—
Medical RC	128.3	2.5
Natural Environment RC	70.3	1.9
Science and Engineering RC	315.5	6.0

* all research councils are free to supplement their income from other sources

They are trying to draft "corporate plans" of a kind a company needs to show shareholders and staff that it has clear objectives focused some years ahead. The difference is that the scientists' objectives are discoveries or inventions that have not yet been made.

The quasi-commercial tone of these reports also helps to account for the force of last week's appeal by some scientists to the Government for more cash.

Three of the five research councils have already produced corporate plans in response to a request from the Advisory Board for the Research Councils (ABRC). The other two, and the Royal Society, will submit plans this year.

The ABRC, under the chairmanship of Professor Sir David Phillips, an Oxford academic, advises the Secretary of Education and Science on the deployment of its science budget, the £614m a year that the Government is spending on advancing the boundaries of science and engineering.

Early this year Sir David also expects to have the report of a special study his board has commissioned from the Royal Society, on the health of basic science in Britain, and how it compares with other countries. Are British scientists giving value for money? Are they less productive than their counterparts abroad?

Never before have British scientists had to submit to such an interrogation of their objectives. But never has it been so costly to practise science, with even the erstwhile "cheap" sciences such as geology now demanding computers and Earth satellites to keep abreast. And never have the new opportunities unfolded so fast.

No rules or guidelines have been set for the corporate plans, other than to peer five years into the future. First off the mark were the research councils, whose funds were first threatened, two years ago, in the first crude attempts to re-orientate British science. The research councils underpin academic science in Britain, mainly in universities and polytechnics, but also in national laboratories which they manage.

For the Agricultural and Food Research Council, 1985 was "a year of unprecedented change and uncertainty," says Professor John Jinks, its chief executive. It shed over 600 staff and expects to lose another 1,200 over the next two years.

But its "forward policy," as it calls its first corporate plan, aims for a much less fragmented organisation, far stronger in food science than hitherto, and better able to help Britain exploit biotechnology.

The council has appointed a commercial manager to help replace income it can no longer expect from the taxpayer, and has set him a target of earning £7m a year from industrial contracts by 1988-89 (compared with £2.5m last year). It is coalescing its myriad research units into eight institutes.

Each institute — embracing animal diseases, horticultural research, food research, etc — is envisaged as being run by a research director with a budget of about £10m a year, a permanent staff of about 500, and another 50 scientists seconded by industry to work on research contracts.

The Science and Engineering Research Council has not been faced with the traumatic cuts in budget required of the AFRC and the National Environment Research Council. This is reflected in the tone of its first corporate plan, produced last month, which is couched more in terms of a plea for more money than a farsighted response to a changing world.

Although SERC takes the biggest slice — about half (see table) — of the science budget and of the five research councils is the least affected by cuts, it nevertheless stresses the research opportunities which it says will be "inadequately funded in relation to reasonable objectives. Among them are optical computers; separation and purification processes for biotechnology; materials science; protein engineering; and molecular electronics.

"The kernel of the report is that we don't feel we can carry out our work properly because of the shortage of funds," says Professor Bill Mitchell, SERC's chief executive. It had aimed to "free" 10 per cent of its budget, £30m, for redeployment in the new opportunities, but achieved only 6 per cent, £18m, he says.

To Sir David Phillips and his board falls the task of reconciling the claims from these disparate sectors of science, along with cases yet to be made by the medical and social scientists. They are well aware that within each council can already be heard grumbles about the loss of "scientific freedom": about the indignity of having to hustle for research contracts instead of simply getting a grant.

Now the board itself is getting complaints from the research council bosses about its own "interference" with their traditional autonomy, and the extent to which it is dictating how the councils must spend their cash.

Sir David admits that his board is asking the research councils to allocate the extra £15m it has just won from the Government for next year to commercially useful research, to opportunities for slowing the brain drain, and to collaborative programmes in areas where their bailiwicks begin to overlap.

The ABRC and the research councils all agree that the extra £15m a year, although welcome, is less than they hoped for. They had asked for an extra £30m in 1987-88, and an extra £40m for 1988-89.

Yet there is evidence that all parties are still relying too heavily on Government handouts and neglecting other potential patrons of science.

Medical scientists, for example, have been at the forefront in complaining about the parsimony of central government. Yet the Wellcome Trust, a private British charity with substantial funds available for medical research, thanks to support from the Wellcome Foundation, a leading drugs company, says it has been disappointed by the number and calibre of responses to an invitation to bid for a £1.3m medical research grant last year.

The trust, which supports a broad swathe of medical research, decided to double its investments in research — to about £45m next year — and advertised for proposals for a new approach to understanding the brain and its malfunction. It wanted interdisciplinary proposals that spanned the traditional medical disciplines. For the right proposal it was prepared to buy costly research tools such as a brain scanner, and to guarantee funds for a long-term (10-year) investigation.

Dr Peter Williams, the trust's director, says it was delighted with the quality and imagination of the successful proposal. But it was disappointed with the total number, only 27, and with quality, only one being deemed worthy of a £100,000 "consolation prize."

The trust has just advertised for fresh proposals for another interdisciplinary collaboration in brain science, this time offering the winning entry a research grant of £3m.

TECHNOLOGY

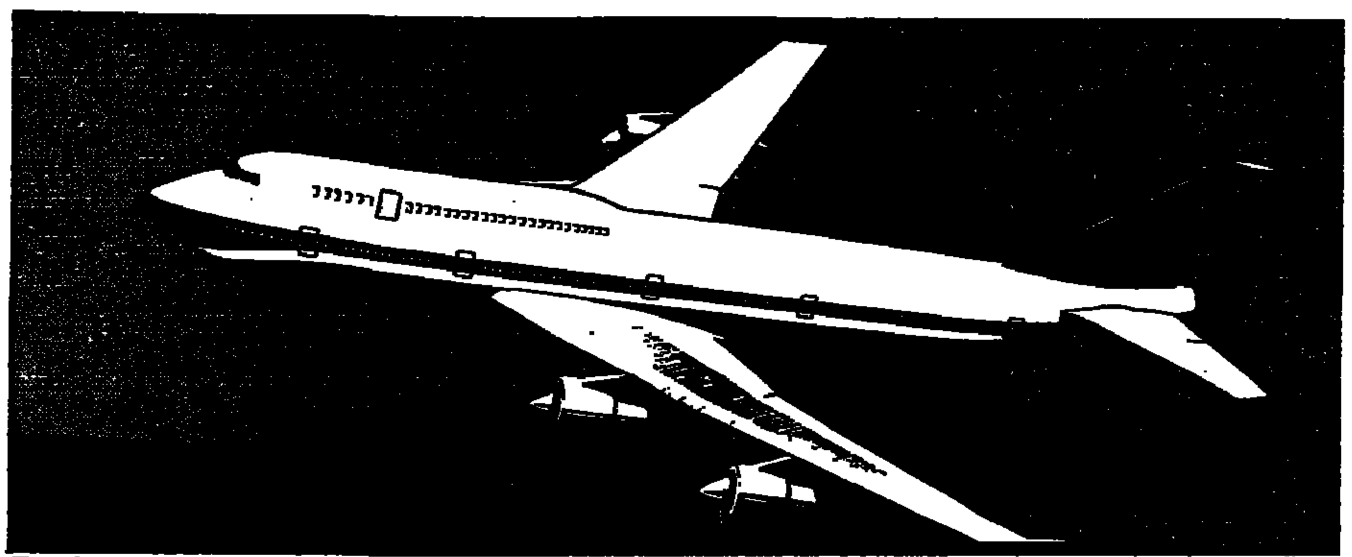
Michael Donne on Boeing's plan for a jumbo jet with prop-fan engines

Fly London to Sydney...non-stop

THE DECISION by Boeing to develop another version of its 747 jumbo jet, called the Series 500, using prop-fan engines being developed by General Electric of the US, is not only a demonstration of the faith the world's biggest jet airliner builder has in this revolutionary form of propulsion but is likely to make other aero-engine builders recognise that both Boeing and GE are serious in their intentions.

There has been a tendency for other airframe and engine builders to regard the joint Boeing-GE efforts to promote the prop-fan concept on the smaller 150-seater 7J7 airliner as a high risk speculative venture that could jeopardise their dominance of world airliner markets.

Such attitudes were dispelled by Mr Joe Sutter, executive vice president of Boeing, and Mr Ed Bavaria, vice president and general manager of General Electric's airline marketing division, at the Financial Times Asian aerospace conference in Singapore last week.



How the 747/500 will look. The top deck will be stretched further than on the 747/400 and the fuselage will be longer. The engines will be shrouded to give greater security to the propeller blades without diminishing performance.

> The secret lies in the core of the gas turbine engine as well as in the propellers

Revealing Boeing plans to develop the Series 500 jumbo for the mid-to-late 1990s, Mr Sutter also reaffirmed Boeing engineers' confidence that the prop-fan engines, which Boeing calls the ultra high by-pass, would be successful.

Mr Bavaria stressed that ground running of the GE prop-fan demonstrator engine, which GE calls the unducted fan (UDF), had been successful, generating 24,000 lb of thrust. He said the planned joint Boeing GE flight test programme would start on schedule this summer in a Boeing 727 Trijet flying test bed.

Fundamentally, the prop-fan engine is a reversion to the well-tried concept of harnessing propellers to gas turbine engines to give smoother, quieter and cheaper rides than jet, or turbo-fan engines but, at the same time, it represents a radical advance.

The secret lies in the core of the gas turbine engine, whereby basic power is generated by burning fuel to provide hot gas more efficiently than hitherto, as well as in the propellers.

These are shaped more like ships' screws than conventional propellers and are mounted on two counter-rotating hubs each bearing up to eight or more blades.

The result is claimed to be a power plant that can drive an airliner at the same speed as a jet but with up to 40 per cent less fuel consumption.

Admittedly such claims have still to be proved in flight but they cannot be ignored. All the other big engine companies, including Rolls-Royce, Pratt and Whitney, and the Allison Division of General Motors, have been studying the concept but with more caution than General Electric.

Other airframe builders have also been looking on. So far only one, McDonnell Douglas, has promoted designs of a 150-seat twin engined prop-fan airliner in the early 1990s, in competition with the 7J7.

Boeing and McDonnell Douglas will be competing with the European Airbus Industrie AAA-320, which has conventional turbo-fan jet engines, albeit of advanced performance. Airbus does not dismiss prop-fans but believes their time has not yet come. Boeing and McDonnell Douglas disagree and believe that prop-fan benefits are so great as to make them worth waiting for.

John Sutter: confidence in engine

Boeing believes that in the early 1990s there will still be a big enough market for replacement of conventional jet airliners such as the 727 and DC-9 to justify holding back, even if that means letting Airbus get a good share of the market for 150-seat aircraft.

It is on the experience with the prop-fan 7J7 that Boeing intends to build with the bigger Series 500 jumbo for the mid-to-late 1990s. Boeing believes that about that time demand for large airliners on long-distance routes will be so great (several hundred aircraft) as to justify developing a new, bigger and more efficient jumbo using the prop-fan power plant knowhow gained from the 7J7.

Boeing will also build into the Series 500 all the technological advances that it is gaining in new materials and design techniques from the latest jumbo, the Series 400, now under construction for service from the late 1980s.

Even with conventional jet turbo-fan power, the Series 400 will revolutionise global transport by offering non-stop flights from, say, Tokyo, Singapore or Hong Kong to London.

The Series 500 will have a new wing, giving less drag, and a stretched fuselage to provide up to 500 seats. There will be a stretched upper deck. It will have a range of about 10,000 statute miles non-stop, or more if the market demands. This means the Series 500 could fly non-stop from London to Sydney.

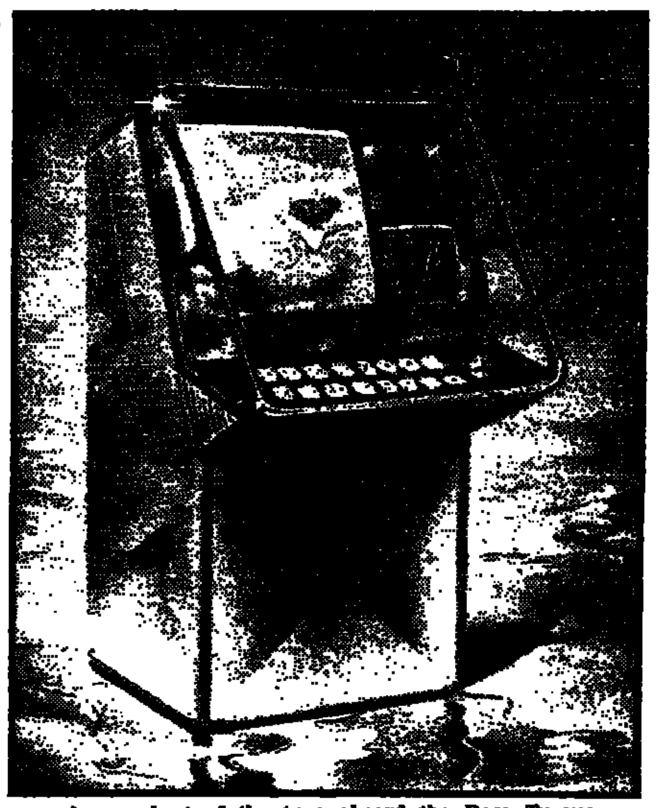
Mr Sutter said: "Our studies indicate that the timing for the technology involved and market timing for the increased capacity required both appear to coincide in the mid-to-late 1990s." He said Series 500 would have higher speed to reduce flight times on long-haul routes.

He went further by suggesting that the technology derived from the prop-fan engine on both 7J7 and Series 500 might also be applied in the 1990s on other Boeing jets, including the 767 twin-engined medium-to-long range airliner.

Mr Sutter said: "The thought I would like to leave with you at this point is simply this. The Boeing company is totally dedicated to continually improving the performance and economic characteristics of each of our products as technological advances permit and to passing these improvements on to the airline operator in a cost effective manner."

It is clear from what Boeing and General Electric have said that other airframe and engine builders will now have to boost their interest and financial investments in prop-fan research and development if they are not to be swept aside in the 1990s.

For both Boeing and GE appear to be aiming at total dominance of airliner markets by the end of this century.



A sea chart of the type aboard the Rosa Tucana

Laser disc way to chart a sea voyage

Elaine Williams on sailing by electronics

A WEEK before Christmas, the liner Rosa Tucana, slipped anchor and left Stockholm harbour using a novel form of sea chart to manoeuvre through the tiny islands that pepper Sweden's east coast. The Rosa Tucana has been equipped with the world's first electronic sea chart. The equivalent of more than 2,000 maps is stored on two 4 ins laser discs normally used for music recordings.

The amount of information, the colours and the symbols are similar to those on printed maps. There are more detailed maps for harbours. The Disc system can be linked to the ship's positioning equipment to show where the vessel is in relation to the map.

Behind the development is Disc Navigation, a joint venture between Wilhelm Wilhelmsen, a Scandinavian shipping group, Nautisk Forlag, a Norwegian chart distributor, and Lidaris, a subsidiary of the TEM research group in southern Sweden.

Production of the chart will begin this year. The company plans two versions: one for large ocean-going vessels such as Rosa Tucana and a smaller system for pleasure boats.

In the larger version, map information is displayed on a 19-ins video screen. This high resolution screen allows the map to be displayed in one degree extracts. A second 12-ins monitor shows other details such as tides, courses, speed and pilot information.

It is also possible to link radar pictures with the digital chart. It can be used to highlight differences between the symbolic map and the radar signals, for example.

A vessel such as the Rosa Tucana would normally carry an average of 1,000 maps. These have to be laboriously updated from information supplied by the weekly Notices to Mariners. In the Disc system, updating is carried out by feeding new data into the system via magnetic tapes.

Disc Navigation expects to install up to four more systems in the early part of the year as a result of the successful testing aboard the Rosa Tucana.

Electronic defect tester

ENGINEERS testing electronic equipment for defects may be helped by a new type of fault evaluation system sold by Zycad of Woking.

With the hardware, engineers run a series of electric signals through the electronic equipment. The signals simulate the kind of conditions to which the system would be subjected when operating.

The nature of the signals is controlled by software tailored to the particular use to which the finished apparatus is to be put. The fault evaluation system, Zycad says, can be used to test individual chips and the many different combinations of circuits in electronic equipment.

Chair to ease back ailments

PEOPLE suffering back ailments may be helped by a new chair sold by the furniture division of Ericsson, the Swedish electronics systems company.

The chair, designed by Mr John Ullman, a Swedish orthopaedic specialist, offers features to combat backache and tiredness caused by prolonged spells of sitting at an office desk.

The chair's seat is shaped to ensure the body is automatically forced to the back of the seat. Here it assumes a correctly balanced and supported position without undue pressure on the spine.

There is also less pressure on the back of the thigh and the pelvis, two more frequent causes of fatigue in people working in offices.

By pressing a lever, a person can adjust the chair's position to vary the position of his body, a factor useful in combating tiredness.

Tax breaks studied for charity donors

BY KEVIN BROWN

THE GOVERNMENT is considering changes to the tax laws to increase the incentives for companies and individuals to give money to charities.

A scheme proposed by a group of senior ministers would allow donations to be deducted from taxable income, conferring a direct benefit on the donor by reducing tax liabilities.

The scheme is the product of an *ad hoc* grouping of interested ministers from a number of departments, including the Home Office, which has responsibility for charities; the Department of Health and Social Services, which is responsible for voluntary organisations; and the Foreign Office, which supervises some aspects of privately donated overseas aid.

A paper sent to the Treasury by this *ad hoc* group is said to have been "fairly well received," despite the fact that the cost to the Exchequer could be considerable.

Supporters of the scheme say the benefits to charities, together with the public relations boost to the Government, would be worth the lost revenue.

There is little doubt that there would be administrative difficulties, however, and this could rule out immediate action in the forthcoming budget. The scheme's supporters say tax deductibility would have much wider appeal than the existing system of four-year tax convenants, under which charities are able to increase the value of donations by reclaiming tax already paid by the donor.

Convenants are said to be too inflexible and to lack any financial incentive for donors.

Murdoch group rebuffs TUC

BY DAVID THOMAS, LABOUR STAFF

ATTEMPTS by Mr Norman Willis, general secretary, of the Trades Union Congress (TUC), to mediate in the dispute between the print unions and Mr Rupert Murdoch's News International were rebuffed by the company yesterday.

Early signs are that most members of the print unions, Sogat and the NGA, will vote for industrial action at News International's four titles – The Sunday Times, The Times, The Sun and the News of the World. The result of the ballot is to be announced tomorrow.

Journalists at The Sunday Times, the title at the centre of the dispute, also indicated yesterday that they were considering breaking away from News International to publish their own Sunday newspaper.

The dispute has come to a head because News International printed an extra supplement for yesterday's Sunday Times at its new printing plant at Wapping, east London without agreement with the print unions.

The company said yesterday that the extra Sunday Times supplement had been produced and distributed without major difficulties though there had been some problems in central London because of alleged threats to some retailers.

The supplement was produced by workers at the Wapping plant, many of whom are members of the electricians' union, EETPU, with whom News International is due to have discussions about its demand for a legally binding, no-strike agreement at Wapping next weekend.

Mr Willis yesterday held a three-hour meeting with Mr Bill O'Neill, News International's chief negotiator, where he pressed the company to consider the alternative proposals of the other print unions which are designed to meet many of the company's demands for its Wapping plant, such as the avoidance of unofficial disputes and flexible working.

However, Mr O'Neill told the TUC general secretary that the company's deadline for talks with the print unions other than the EETPU about production at Wapping had expired at Christmas.

Meanwhile, Mr David Lipsey, who has just resigned as The Sunday Times economics editor to become the deputy editor of the magazine, New Society, said that he had been asked by The Sunday Times journalists' chapel (office branch) to look at the possibility of publishing a Sunday newspaper outside News International.

It is understood that Mr Lipsey has legal advice that any request by News International to Sunday Times journalists to move to Wapping in the event of industrial action by the print unions could constitute a breach in their contract of employment.

It is also understood that Mr Lipsey is just concluding the sale of his family firm in preparation for setting up a company capable of employing The Sunday Times journalists for an interim period.

However, Mr Murdoch, interviewed in yesterday's Sunday Times, indicated that it would be possible to print the four titles at Wapping for at least a limited period.

● Picketing of the Daily Mirror was expected last night in a dispute which, on Saturday night, forced the switch of the London print run of the Sunday People to Manchester, and the Manchester print run of the Sunday Mirror to London.

The dispute is between the Sunday People machine branch chapel of the print union, Sogat, and the British Newspaper Printing Corporation (BNPC), which prints the Sunday People, the Daily Mirror and the Sunday Mirror.

The three papers and the BNPC are owned by Mr Robert Maxwell.

CTG critics prepare attack on decision

BY ANDREW FISHER, TRANSPORT CORRESPONDENT

OPPONENTS of Channel Tunnel Group, whose rail link is expected to be named as the winning cross-Channel scheme by France and Britain today, have begun preparing a strong attack on the decision.

They will accuse British Prime Minister Mrs Margaret Thatcher, who will make the announcement with French President François Mitterrand in Lille today, of climbing down from the UK Government's previous preference for the Channel Expressway project.

That £2.55bn ($3.68bn) scheme for a rail and road tunnel link has been vigorously opposed by CTG (partnered by France-Manche) and by EuroRoute on the grounds of cost and technology. But many Conservative MPs liked its provision of a road tunnel.

They disliked a rail-only scheme – the £2.6bn CTG link would carry vehicles on shuttles – and felt it might be vulnerable to industrial action and give rail a fixed-link monopoly. They intend to oppose CTG, if it is chosen, when the link comes up for approval in Parliament.

Channel Expressway was defended by Mr Nicholas Ridley, UK Transport Secretary, up to the final decision. But the French Government was firmly against the scheme, headed by Mr James Sherwood, the American head of Sea Containers and the Sealink cross-Channel ferry company.

The late offer by CTG to consider a road link, if traffic justified it and the right technology was available, is thought to have swung the choice in its favour. The UK wanted a scheme whereby vehicles could drive straight through.

Both Channel Expressway and EuroRoute allow that. But doubts were raised about the ventilation in the Expressway scheme, although Mr Sherwood said Japanese technology would deal adequately with exhaust fumes. Rivals also said Expressway would cost far more than estimated.

EuroRoute's £5bn scheme was favoured by the French as a provider of more steel and construction jobs. Britain would also benefit. But environmental and security concern over its bridges, with roads spiralling through islands into the tunnels, along with market scepticism, is thought to have persuaded the UK against the scheme.

Sir Nigel Broackes, chairman of EuroRoute, has questioned why Mr Ridley was so keen on Expressway. EuroRoute also intends to ask him whether CTG will have a firm right to build a road link later. He has described CTG's idea of a later road link as "preposterous."

He has also said that the Foreign Office had no special objections to EuroRoute on security grounds. Sir Nigel's offer of co-operation, under which CTG would build the rail link and EuroRoute the road, was turned down by CTG last week.

Government steps up tin rescue pressure

BY GEORGE GRAHAM

THE BRITISH Government this weekend stepped up its pressure for a solution to the three-month-old tin crisis, as the latest rescue plan moved to the brink of failure.

Mr Nigel Lawson, the Chancellor of the Exchequer, took advantage of yesterday's meeting in London of finance ministers of the Group of Five leading industrial nations to press West Germany and France to end their opposition to negotiations between the International Tin Council and its creditors.

The ITC ran out of money in October with debts of hundreds of millions of pounds, leading to the suspension of the London Metal Exchange's tin market.

Japan is expected to present a new rescue plan to tomorrow's meeting of the ITC, and its proposals may bring some response from EEC nations that have so far failed to reach a common position. France and the Netherlands are understood to have moderated their opposition to the debt restructuring plans now on the table, but the West German Government still appears some way from agreeing.

Mr Ralph Kestenbaum, joint managing director of Gerald Metals, said yesterday on UK television that the rescue scheme he had proposed in conjunction with Mr Peter Graham of Standard Chartered Bank was now close to failure.

The scheme would involve the creation of a new company to take over the ITC's tin stockpile and its liabilities, funded by £200m from council members, £50m from metal brokers and £20m from banks.

Mr Kestenbaum said that West Germany, France and the Netherlands were blocking the plan and threatening a disaster for the UK economy and losses of over £200m for brokers. He called on the British Government to provide advance funds for the rescue operation.

Wage increases ease to 6¼%, says CBI

THERE MAY be a trend towards cheaper wage deals, according to the Confederation of British Industry, writes John Edwards.

Latest figures from the CBI's pay databank, which tracks wage settlements, show that the average level of pay increases in manufacturing companies eased to about 6.25 per cent in the final quarter of 1985.

That was slightly down on the 6.5 per cent "plateau" during the first nine months of the year.

However, the CBI is taking a cautious attitude to the figures. "This is good news so far as it goes," Sir Terence Beckett, director general of the CBI, said yesterday.

"But before anyone starts leaping in the air and writing headlines like 'dramatic fall in pay,' I would stress that, while we have received details of more than 100 settlements for the fourth quarter so far, almost as many are still awaited.

"We shall also need the figures for the next few months to see if the trend is sustained," he added.

The CBI's employment report, out today, echoes the same theme. It says that only over the coming months will it become apparent whether pay is going to turn down, while productivity and efficiency improve strongly.

□ MOST PAY settlements in the second half of 1985 ranged between 5 and 8 per cent, according to Incomes Data Services (IDS), the independent pay review body. IDS reviews 100 settlements effective between July and December 1985 in its latest report.

□ TRADE UNION power needs to be restricted to end persistent inflation, according to Mr Christopher Dow, of the National Institute of Economic and Social Research, who suggests a Restrictive Labour Practices Commission to limit the damage done by strikes, in an article in this month's Lloyd's Bank Review.

□ THE GOVERNMENT remains opposed to the introduction of positive discrimination in favour of ethnic minority groups in employment and other policies, Mr Douglas Hurd, the Home Secretary, said.

□ THE PROPOSED privatisation of British Gas is expected to be strongly attacked again in a report by the all-party House of Commons select committee on energy, due for release tomorrow.

□ THE TRANSPORT workers' union is to ask more than 150 private haulage firms in the Liverpool area to ignore the Road Haulage Association and sign a new pay and productivity agreement.

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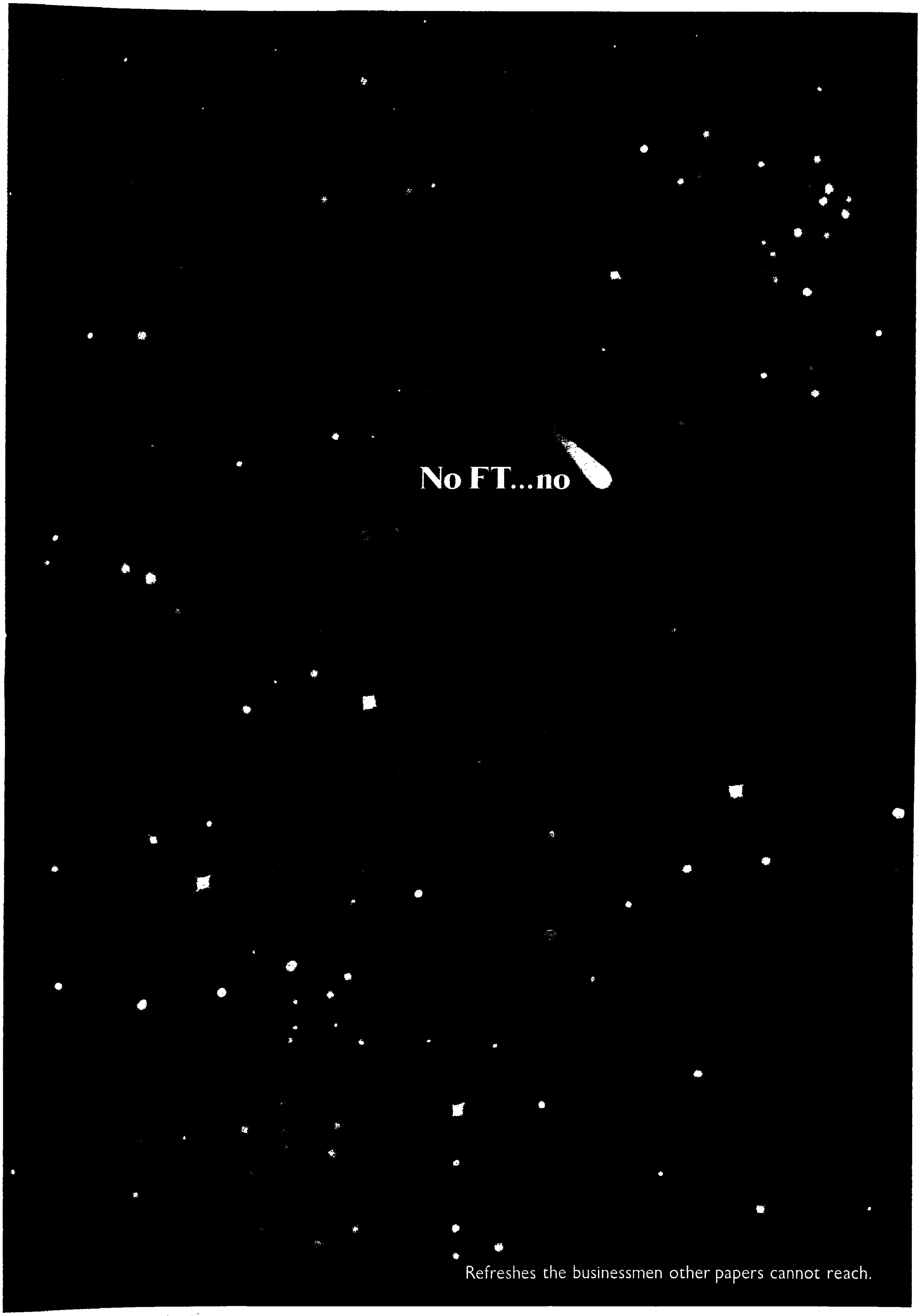

INCREASED WORKER CO-OPERATION AND COMMITMENT SOUGHT

Austin Rover seeks to soften management style

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

AUSTIN ROVER, BL's volume cars company, is understood to be planning to change its management style – often accused of being abrasive – in an initiative to seek worker co-operation and commitment to the company's prosperity.

PA Management Consultants has worked with directors to draw up a new strategy currently being explained to senior managers. The aim is not to copy Japanese methods but to draw upon the best practices from all manufacturing cultures, including US and Western Europe.

Austin Rover proposes to create what it terms "zone circles" – an advance on quality circles in which shopfloor volunteers will be sought to join discussions by small groups of workers on all production matters, not just quality.

Production lines will be halted for regular "zone briefings" at which supervisors – "mini-managing directors" in charge of groups of around 25 workers – will discuss output targets and sales performance. Television screens already in place along the tracks at the Cowley plant, Oxford, will give immediate information on social and commercial matters.

In appointing new labour, Austin Rover would require potential recruits to attend an assessment centre, usually at the weekend, for two full days of discussions and tests. Assessors would seek to establish not only whether recruits have the necessary manual skills but whether they identify with the aims and philosophy of the company.

Such vetting is seen as important to ensure new employees are fully involved with the company from the outset. It would also provide the opportunity to weed out potential trouble-makers.

The proposed new management style reflects Austin Rover's belief that changes are necessary to deal with the next phase of its recovery programme. The benefits have been realised from a confrontation style which has seen management wrest authority from the trade unions to deal direct with the workforce.

The company says productivity has climbed in cars assembled per man per year from 5.9 in 1979 to 14. The bulk of that improvement is attributed to the workforce and the rest to investment and new technology. Austin Rover claims to equal the best productivity in Europe but believes new technology will be the key to closing the gap with the Japanese over the next few years. Worker commitment to the product is seen as vital in achieving the necessary joint involvement in raising quality and performance.

The emphasis is upon co-operation, but manuals now in the hands of plant directors make it clear that management must continue to exert the right to manage.

The new ideas will be put into practice first on the assembly lines at Cowley where the executive car to be produced in collaboration with Honda of Japan goes into production this spring.

Union leaders at Cowley report that in preparations for the new car "management attitudes are significantly different from anything we have seen for years. Suddenly, they are talking to us instead of at us."

Austin Rover last night refused to discuss details of the initiative. "We are always trying new ideas, and it would be premature to comment before we have put them into practice," the company said.

Motorbike sales decline by 14%

By John Griffiths

UK sales of motorcycles and other powered two-wheelers in 1985 fell for the fifth successive year to 123,552, the lowest for 15 years.

This represents a 14 per cent decline from the 143,746 achieved in 1984 and compares with 315,000 sales in 1980.

In issuing statistics for last year, the Motor Cycle Association (MCA), warns that "there are no clear signs of any improvement which could result in the market bottoming during 1986 and rising during 1987."

However, it suggests that the rate of decline should slow this year, making it unlikely that sales in the industry's current recession will see a drop to the all-time low of 90,000 units experienced in 1969.

Mr Peter Sheene, the MCA's director general, attributes much of the industry's depressed state to record unemployment levels, particularly in the "crucial" 16–19 age group.

He also blames in part "muddled" legislation introduced during the early 1980s restricting the size of machines learners can ride and imposing stricter test and licence conditions.

Hugh Carnegy in Belfast on the latest role of the Unionists' 'junior partner'

Jests that mask Ulster's mood

ONE of the most popular figures among the thousands who packed the centre of Ballymena, county Antrim, Northern Ireland, on Saturday to hear the Rev Ian Paisley thunder against the recent Anglo-Irish agreement was a dog.

"Ulster," a three-year-old bull terrier, was dressed in a white T-shirt bearing the Ulster flag. He won the hearts of the crowd as he jumped excitedly at the flute bands thumping by and once lunged menacingly at a photographer, an action popular at Loyalist rallies these days.

His master, Mr Bob Coulter, a plumber and staunch Paisley supporter, said Ulster had been to numerous protests in recent weeks. Mindful of the politician most associated with the bulldog image, Mr Coulter joked: "There's Paisley in him, but no (Winston) Churchill."

Such cheerful banter is not unusual in the campaign by Mr Paisley's Democratic Unionist Party (DUP) for the 15 Northern Ireland by-elections called by the Unionists on January 23 to protest against the Anglo-Irish deal, signed last November and giving Dublin a consultative role in the affairs of Northern Ireland.

However, it disguises a grim mood among many DUP supporters about what lies ahead in their battle to wreck the deal.

The DUP, with three out of the 15 Unionist seats, is the junior party in the post-Anglo-Irish united front with the Official Unionist Party led by Mr James Molyneaux.

The parties are not contesting each others' seats and are campaigning together to win the biggest possible backing for their stance in the election they have styled a referendum on the agreement.

The prominence and rhetoric of Mr Paisley seem to belie the junior status of his party, which won about a third of the total Unionist vote in the 1983 general election.

In the present climate of "no surrender", his robust style is having its day. As he appears to canvass in his North Antrim constituency and elsewhere, often followed by a band of youngsters playing flutes and banging drums, doors open and people come out to see "big Ian."

Few of them dissent from his absolute opposition to the agreement. Many are of the view that the accord will lead to violence, and some happy to admit they would join the fight. At the rally in Ballymena, young men distributed recruiting leaflets for the paramilitary Ulster Defence Association.

"Right from the start it has proved the bomb and bullet pay. I've been to all the parades, but there will have to come a time when there will be war," said Mr Coulter.

Mr Peter Robinson, deputy leader of the DUP whose seat is the urban Protestant heartland of east Belfast, says the election on Thursday is a one-issue poll. It is to concentrate minds on the overriding need to demonstrate the Unionist rejection of the accord that alternative policies and future strategy are not being spelt out, he says.

The message from him and Mr Paisley is that the agreement must fall, and they appear convinced that it can be broken. They are confident that the Unionists will get a huge response on Thursday, including the Rev William McCrae, the gospel-singing third DUP Member of Parliament from mid-Ulster.

Mr Robinson says the initial outrage that Mrs Margaret Thatcher, of all prime ministers, had struck a deal with the Republic of Ireland without involving the Unionists has given way to a more studied rejection of the terms of the agreement.

It is the outrage which he says is dangerous. "That feeling of hurt to Ulstermen is something which drives them on."

Statements on television in Northern Ireland by Mr Tom King, Secretary of State for the province, that the election will not change the Government's mind have fuelled the anger.

"They preached the necessity of having the consent of the minority, yet not the necessity of having the consent of the majority. That's hypocritical. The Government is showing a disregard for democracy and giving a signal to those who turn to violence," Mr Robinson said.

Certainly there is a strong feeling that the hated Anglo-Irish deal was brought about by pressure from the paramilitary Irish Republican Army (IRA), and this is seen as proof that violence works. The sense of grievance is heightened by the suspicion that London simply wants to rid itself of Northern Ireland and its Loyalists.

Added to this is a gut dislike of the Republic and a refusal among many to admit that Catholics in Northern Ireland ever had serious grievances.

"We don't like to see a hostile foreign power having a say in our wee (small) bit of country here. The Scotch and Welsh wouldn't tolerate it," said Mr John McKenzie, 65, a former dairy worker in east Belfast.

Perceptions of what the long-term future holds are hazy. All Mr McKenzie said was that things would never be the same again. The idea of some kind of Northern Ireland independence has gained some currency but is publicly rejected by the DUP leaders who stress they will remain Unionists.

TV regulatory body to review its role

BY RAYMOND SNODDY

THE INDEPENDENT Broadcasting Authority (IBA) is to conduct a far-reaching review of all of its activities next month to try to decide its future role.

The IBA, responsible for regulating commercial television and radio in the UK, has carried out such reviews in the past in the middle of Independent Television (ITV) franchise periods.

But the current review is taking place against a background of the Peacock Committee into the financing of broadcasting and claims that the IBA does too much, employs too many people and costs too much to run.

The IBA employs 1,500 people, about 1,000 of them in engineering, and costs about £60m a year to run.

The ITV companies that pay for most of that have told the Peacock Committee that money could be saved if one body was responsible for both ITV and BBC transmissions and the contract put out to the marketplace.

Senior ITV executives also believe that much of the research and development carried out by IBA staff could be done more cheaply by outside contract. The BBC is already moving to buy more equipment off the shelf and about 1,000 jobs are to go in its engineering division.

There will also be less work for IBA engineers now that the independent Channel 4 transmitter network is virtually complete.

The IBA will also look again at the nature of its television franchising process. Under current procedures all ITV franchises will be advertised before Christmas 1987 for renewal for an eight-year period in 1989.

The IBA will consider whether the prolonged process should be telescoped to reduce uncertainty or even staggered so that all 15 franchises are not up for renewal at the same time.

Another issue is whether some of the smaller franchises should be amalgamated with larger neighbours to strengthen the ITV system financially.

There is also renewed speculation about the future of radio regulation. There have been suggestions that a new radio authority should be set up to regulate community (local) radio, independent commercial radio and BBC local radio stations.

UK NEWS

Airlines to present plan to reduce ticket fraud

BY JOHN GRIFFITHS

AN INTERNATIONAL Air Transport Association (Iata) "task force," chaired by British Airways (BA), is to present initial proposals next month for reducing the £200m lost by airlines each year through ticket frauds.

The task force, BA said yesterday, was set up late last year after the British airline threatened to withdraw from an Iata agreement under which losses from ticket fraud are shared between member airlines.

BA already operates an anti-fraud "ticket check" system, with a computerised ticket "blacklist" and has plans for bar-coded tickets which are automatically scanned at check-ins.

It wants to see all airline tickets standardised with a similar format. This would allow instant checks on the validity of tickets worldwide.

Such a system is seen as being particularly valuable for the common circumstance whereby, for example, Alitalia would accept a British Airways ticket for one of its own flights, and vice versa.

The logistical problems entailed in setting up such a global system are accepted as being substantial.

However, BA made its threat to withdraw from the loss-sharing agreement in the belief that concerted action on the fraud front is well overdue.

It sees the loss-sharing agreement as providing little incentive for some airlines to tackle the fraud problem.

Nabisco plant boost

Financial Times Reporter

NABISCO BRANDS, the American food and snacks company, is to invest more than £25m over the next three years modernising its biscuit-making factory at Aintree, north Liverpool, by introducing high-technology equipment.

The 3,000 workforce at the former Jacobs biscuit plant, the only one remaining on Merseyside, has been assured there will be no enforced redundancies.

Nabisco closed the Huntley and Palmer factory at Huyton on north Merseyside two years ago with the loss of 900 jobs.

An immediate £1.3m will be spent replacing an existing obsolete 30-year-old production line.

INSURANCE

Nader and Lloyd's: part of a wider issue

BY JOHN MOORE, CITY CORRESPONDENT

MR RALPH NADER, the US consumer-rights crusader, launched a spirited attack in London last week against the Lloyd's insurance market and its operations in the US.

Mr Nader claimed that Lloyd's underwriters were exerting undue influence on the US market in their role as reinsurers. What has alarmed Mr Nader and the US-based National Insurance Consumer Organisation is the response by insurance underwriters in the US to rising losses on liability business. Premium rates are rising more than fourfold on some classes of liability business and other insurers are either reducing their exposures or pulling out of such insurance altogether.

Mr Nader argues that consumers are suffering. He reckons the losses suffered by underwriters are more apparent than real; that the mass cancellations and "premium gouging" by underwriters on liability business is creating a crisis for consumers in the US; and that Lloyd's is directly influencing the situation through its market position there.

Lloyd's certainly occupies an important position in the US insurance market. Of the $7.9bn of outward reinsurance that US insurers buy for themselves to protect themselves against onerous losses, more than $2bn comes to Lloyd's. The figure is probably much larger than that because the $2bn is the amount that Lloyd's retains on its own account after taking out its own reinsurance protection. In its last reported underwriting account, for 1982, Lloyd's reported an underwriting loss on liability business, largely from the US, of £425m. After allowing for investment income the loss was reduced to £314m.

Mr Nader argues that it is Lloyd's in its role as a leading reinsurer of US insurance groups that is manipulating the market, implying that pressure is exerted on the primary market in order to raise rates. He claims there is a "conscious parallelism" in the US insurance market between US insurance companies and Lloyd's underwriters – with a tacit understanding between US insurers and Lloyd's on the rate increases now taking place.

The evidence he offers is circumstantial. He says that Lloyd's has threatened to pull out of reinsurance in Alaska, as it has done in Connecticut, New York and New Jersey, unless the state changes its laws on liability cases and makes other changes to its legal system.

For years, however, US insurers have been making similar criticisms about the US legal system in relation to liability insurance.

Court awards in the US have been rising sharply. Court awards against companies for their products that have caused injury have run at over $1m. The average medical malpractice award runs at around $1m.

Mr Hank Greenberg, president and chief executive of American International Group, a large user of the world's reinsurance markets, has said, "We are convinced that reforms are needed in both the law of personal injury and in the way it is administered."

Swiss Re, one of the world's largest reinsurers, has said for some time that the situation in North American liability business is extremely serious. It curbed its acceptance of liabilities business until new rates were accepted and new policy wordings were established. But it gave a warning that the situation could not be corrected by premium-rate increases. "Changes in the legal system and in court practice are necessary before claims inflation can be mastered," said the group.

Last autumn Lloyd's went on the offensive. Mr Peter Miller, Lloyd's chairman, said in Houston: "An insurer does not receive a reasonable treatment in many US courts." He added: "Either the market for liability insurance, whether at Lloyd's or in the United States, will virtually disappear in many areas, or reforms must come about to prevent that happening." Without real progress, he said "it is hardly to be wondered at if underwriters increasingly withdraw from this class of business."

Lloyd's would like to see punitive damages abolished; pain and suffering damages should be limited; structured settlements; and a formula system for "economic damages" to a claimant – with, for example, a leg valued at $5,000.

But in its efforts to turn round the underwriting cycle, and improve its results, Lloyd's has now raised the wrath of the consumer lobby in the US. Mr Nader believes there have been attempts to intimidate, coerce and boycott by Lloyd's in its involvement with the US market, something that would not exclude it from anti-trust legislation. He has complained to the Justice Department.

Moreover, Mr Nader wants Lloyd's more tightly regulated, with more detailed returns filed with the US authorities so that Lloyd's pricing mechanisms can be more clearly understood. He also wants tighter regulation for overseas reinsurers.

Lloyd's countered the Nader arguments last week. Twenty-four of the market's insurance syndicates have been forced not to accept new business on liability insurance. Mr Murray Lawrence, Lloyd's deputy chairman, said in New York: "Why jeopardise an otherwise profitable operation by continuing with general liability insurance? There is plenty of other business being offered without the problems of that class."

He emphasised that Lloyd's had no intention of boycotting "old clients at this critical time." He is unlikely to have dampened the controversy.

THE ARTS

Exhibitions/William Weaver

Preserved in Venice and Naples

Even at the height of the season, when crowds of tourists, their sandals strapped on over their socks, T-shirts not quite reaching the stretched belt of their Bermuda shorts, are almost crowding the paintings out of the Accademia and the altars out of San Marco, Venice's Museo Correr is seldom full. And yet, it is one of the richest and most varied collections in the city, displaying together Venetian mementoes, great paintings, noble furniture, rare books.

From time to time, the Correr also mounts a special exhibition, always with taste and flair. At present it has a show of works chosen from its more than 8,000 drawings, many of them rarely accessible to the general public. The 127 items to be seen range in date from the late Quattrocento to the mid-19th century illustration-like scenes by the once-popular (and highly skilled) Eugenio Bosa; but the greater part of the show focuses on the 18th century, Venice's heyday.

Not all the artists selected are Venetian, but the non-Venetians at least had some association with the city and its local art world. Thus Dürer is represented by a Sant'Anna, drawn long after his Venetian sojourns but with perhaps a lingering influence of the painters he admired there; and the Milanese Andrea Appiani is included in the show with a pastel portrait of Eugène de Beauharnais, Napoleon's Italian viceroy, given the title "Principe di Venezia."

Naturally, there are drawings by a number of famous, expectable names—Palma il giovane, Guardi, Piazzetta, Canova, Bassano — but the drawings by some of the less-known artists are also often striking, like the dynamic, proud Soldier with cuirass by the Secento painter Francesco Maffei. Some of the drawings are of interest for the glimpses they offer into Venetian life (Gaetano Zompini's sketch of a "codega," a lantern-carrier, who lighted the way for gentlemen along the city's narrow, unsafe streets); architectural drawings—by Gaspari, Tirali, and others—remind us that this was a city of monuments. Some costumes sketches underline that it was also a city of pleasures.

Many of the drawings are, so to speak, self-contained works executed for their own sake. But many are also sketches, including some studies for great ceilings of the kind that still enhance Venetian churches and palaces. One of the most haunting is Guardi's The Triumph of Virtue. It was apparently never executed, but the drawing, by itself, is enough.

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Surely one of the most beautiful books ever created is Sir William Hamilton's *Campi Phlegraei*, which came out in Naples between 1776-1779, with gouache illustrations by the Anglo-Italian painter Peter Fabris. A copy of the book and 16 of Fabris's illustrations, handsomely framed, are on display in one of the upper rooms of the lovely Villa Pignatelli in Naples, housing a splendid show of *Neapolitan Gouaches of the 18th and 19th centuries*. Ironically, on the charming 19th century frames, brass plates still attribute the Fabris pictures to the more famous Filippo Hackert.

The authorship of Fabris has only recently been definitively established by the Neapolitan writer Carlo Knight, who contributes a knowledgeable article to the beautiful catalogue, which provides a comprehensive examination of a genre still popular in Naples, but little known abroad.

"Soldier with cuirass," drawing by Francesco Maffei in the Museo Correr, Venice

Orchestra of St John's

Richard Fairman

This concert, given on Friday evening at the Elizabeth Hall, only sprang to life near the end. The vocal solos in Falla's *El amor brujo* may not be the best known parts of the score but the mezzo Linda Hirst gave such a splendid impression of an earthy Spanish gypsy singer in them, right down to the coarse chest tones and the blistering attack, that they sparked off a new, fiery response from everybody on the platform.

This was the best item that the Orchestra of St John's, Smith Square, had on offer. Under the direction of John Lubbock they kept the music alive and colourful—not atmospheric enough in the scenes at night, but always robust and with some fine contributions from solo instruments, such as piano and oboe. The *Pavane* by Fauré had also been brought to a close earlier with some especially eloquent playing from Philippa Davies, the solo flute.

Before the interval Beethoven's First Piano Concerto had not found the same kind of commitment. Although some of the solo work still had distinction, the orchestra as a body simply did not function with the precision of attack and internal balance that would keep the music taut and purposeful. The first movement was soggily played; and it was only with the strings' interjections in the *largo* that any sense of direction emerged.

Perhaps the pianist did not help. Alessandro De Luca brought an affectionate, early romantic rubato to the quieter moments of the piece. But as soon as the chance came for some brilliance and technical dexterity (the latter pages of the first movement, the cadenza of the last) indecisive, fumbling fingers took over. The slow movement, coloured with warm textures, was his best — but overall a lack of character pervaded the whole performance.

Nash Ensemble/Wigmore Hall

Max Loppert

If Saturday's concert (which began 1-5 minutes earlier than usual) is anything to go by, the latest Nash Ensemble recital series has taken generosity well beyond the bounds of reason or audience comfort. The Austro-Germanic late-Romantic label which all seven concerts carry is the excuse for sorely over-filled programmes—over-filled above all in the light of the tepid read-throughs by which most of the works were on this occasion represented.

Memory insists that Henze's 1963 Rimbaud cantata *Being Beauteous* for stratospheric soprano (Sarah Leonard), four cellos, and harp is a less woozily rambling and more aurally alluring piece than it was here heard to be. In spite of pleasing moments of solo phrasing, both the Mozart C minor wind Serenade, K388, and the chamber version of Wagner's *Siegfried Idyll* (conducted by Lionel Friend, who also did duty in Henze) suffered from similar forms of under-projection.

Strauss's long early wind-instrument Suite ended the concert; but before that came an experience that cast a dark shadow over the whole evening —the ill-advised and deeply saddening return to the London concert platform of Linda Esther Gray, in Berg's Seven Early Songs. Even now, this voice is surely not beyond salvation, but my goodness, it needs help!

Angela Hewitt/Wigmore Hall

Dominic Gill

The Canadian pianist Angela Hewitt made her London recital debut in January last year, and four months later won first prize in the Toronto International Bach Competition, a new event established in memory of Glenn Gould. There is an irony in that, for Gould himself was pathologically suspicious of competitions and prizes. But I do not doubt all the same that he would have approved of Miss Hewitt: for more than any other new pianist I have heard in recent years, she plays Bach with an absolutely authentic, irrepressible and invigorating Gouldian blend of precision, passion and poetry—which owes everything to the spirit of Gould's interpretations, and nothing to mere slavish imitation.

The D minor English Suite with which she opened her recital on Friday evening was magnificent: a tour de force of meticulous contrapuntal energy, brilliantly focused. The momentum was unflagging, but never mechanical; the manner was exquisitely poised—Miss Hewitt understands instinctively the exact dividing line between expressiveness and kitsch, and her delivery, powerfully expressive and colourful as it was, never once crossed the mark.

I could easily have listened to an entire evening of her Bach; but she revealed next, in *Le Tombeau de Couperin*, an uncommonly refined and pungent Ravellian sensibility. It was a special pleasure to hear the "Forlane" played for once at its proper *con spirito* tempo: far too often the speed and emphasis is laboriously "poetic," a little below their best but the poetical effect in consequence only lugubrious. The "Prelude" was magical; the "Toccata" was spun off with remarkable force and command.

Her Fauré Nocturne after the interval (the big B flat major op 37 No 5) was another triumph, fine-spun and delicate in its phrasing, muscular and uncompromising in its stance. Her accounts of the two Fauré Valse-Caprices (Nos 1 and 2; opp 30 and 38) were a shade more self-conscious, and perhaps a shade less convincing; but that is to judge them by Miss Hewitt's own exacting standards — by any other lights their humour and easy glitter made them hard to resist. She ended with Liszt's Dante Sonata: a bright, nervous, impulsive account, coloured in much ravishing detail. It needs to mellow a little, and as it deepens the effect will become still grander — but it is already an original and thoroughly convincing vision.

Part of Miss Hewitt's prize from Toronto was a contract with Deutsche Grammophon for a Bach record, which should be issued this year, and which I look forward to with lively interest.

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On Saturday evening in the Elizabeth Hall, the Guarneri String Quartet made another of their regular visits to London. Their programme was all-Beethoven; the hall was sold out; they were in a little below their best precise and steely form.

Their account of op. 127 never quite came together (and if the players had found the loud unstifled coughing of one member of the audience near the front of the hall throughout the last three movements as disturbing as the rest of the audience found it, I doubt if the performance would have come together at all). The playing of the ensemble had all the fine qualities of blend and unanimity which are the hallmarks of long familiarity; but it also had a quality not so much of nonchalance, as a kind of unpressured blandness, a tiredness, which ironed out the musical and emotional peaks of the performance, and masked its colour.

The first of the Rasumovskys (op. 59 No. 1 in F) was more vivid, and more characteristically sharp-cut. The familiar brittle timbre of the Guarneri returned, and caught the first movement quickly and firmly in its grip. The coughing continued in fits and starts (could not the hall attendants be instructed to remove these people when they refuse to remove themselves?). Not vintage Guarneri by any means, but a performance of authority and style, which won through decisively to the finale's burst of gaiety.

Moses/Coliseum

Max Loppert

Rossini's *Moses*—or, given its full title, *Moses and Pharaoh, or The Crossing of The Red Sea* —returned to London on Thursday, after a long absence, in a new production by English National Opera. This is the third (Wagner's *Rienzi* and Chaikovsky's *Mazeppa* being, of course, the previous two) in the Norwest Holst-sponsored series: once-only stagings of rater large-scale choral operas achieved on tiny budgets and with less than the normal amount of ENO choral rehearsal.

As the series is now completed, and as in the past gratitude for the chance to see and hear these works at all has figured high in critical and popular response, it is probably a bit late to call its whole operative premise into question. But since (in my own view, at least) *Moses* is easily the greatest of the three Norwest Holst choices, the deficiencies of last night's presentation—in both its basic style and its finish of execution—stood out the more starkly. In general, it's surely just these rarities that require the most careful and unstinting preparation; *Moses* in particular deserves a great deal more than the mishmash it is seen and heard to be at the Coliseum.

Like Gluck's *Orpheus* or *Alceste*, Wagner's *Tannhäuser* or Verdi's *Don Carlos*, this is an opera with a complicated textual history. The title "Rossini's *Moses*" covers, indeed, two distinct works, connected by common plot and much shared musical material but notably dissimilar in musical and dramatic style. The first, *Mosè in Egitto* (Naples, 1818), is a late Italian *opera seria*; the second, *Moïse et Pharaon* (Paris, 1827), a direct forerunner of the great line of French Grand Operas, and a no less direct source of Verdian influence (the relationship between Moïse and *Nabucco* is familially close).

Both versions, the Neapolitan original and the Parisian reworking, are worth reviving. The former, eclipsed until recently, has now come back to favour via a Pesaro Festival production and a Philips recording; the latter, one of the very few of Rossini's non-comic pieces never to have been entirely lost to the repertory, is no longer unarguably estimated a comprehensive improvement on the original.

For Paris, Rossini refashioned forms, enlarged them and opened them out; he repositioned material, concentrated the drama; inevitably he sacrificed some of the Classical (and purely musical) consistency, and some of the emotional interest attaching to the characters in the foreground, of the Neapolitan opera. As Richard Bernas puts it, in the vivid phrase that concludes his essay in the new ENO/Royal Opera Rossini libretto book: "Rossini smashed *Moses'* tonal frame, and out of the pieces created a fascinating and grand piece of sculpture."

The ENO was probably right to tackle the later opera even so, for the peculiarly elevated balance that it strikes between austere Classicism and an exciting new Romantic fervour (as specially demonstrated in the extraordinary *Act 3 finale*), between the ornate solo vocal writing and the spare choral simplicities, makes it theatrically the more "surefire" work. Even in Thursday's very mixed account of it in which the chosen production style was so continually at variance with the tone of the music, and in which the quality of the singing was so notably below the virtuosity and grandeur on which the composer counted, the splendour of the opera could not be entirely denied. Indeed, the famous sequences of the final act triumphed in the face of heavy obstacles.

Even so, it's a long haul, to uncertain purpose. The producer, Keith Warner, and designer, Marie-Jeanne Lecca, might be said to repeat, at least in part, the modernist oversimplifications practised last season on *Mazeppa*. These are, overall, comparatively less bloodthirsty; and in seeking Relevance by depicting a conflict between fervent fundamentalist underdogs and the fat cats of some rich, unspecified (but presumably Middle Eastern elite—certainly rich enough to afford sun glasses for all—the production team has not totally failed to suggest some pertinent parallels along the way.

But there's a lot of mess, fidgeting, excess of point-making, in Mr Warner's stage method, and it usually seems most fidgety and messy just at those junctures when the large-scale nature of Rossini's forms requires some form of theatrical recognition. The middle acts are played together (Act 3 shorn, of course, of its Paris ballet); in them the detail becomes most frequently amusing—but should *Moses* ever be amusing? — and simultaneously the gap between the opera and this essentially undergraduate production of it grows to its widest.

Fine singing might have made up the difference, but last night it was unable to. Especially when (playing Egyptians) it is placed on the sidelines and follows its scores, the chorus is sadly lacklustre. And the soloists are mostly more remarkable for willingness and devotion to the task at hand than for conviction or accuracy of musical attainment. In the title role John Tomlinson commands volume, commitment, and a certain largeness of personality; but the timbre lacks *grandezza*, and in the Prayer his contribution was particularly rough.

The leading sopranos — Cathryn Pope a miscast (because lightweight) Anna, Jane Eaglen a strong but often strident and ungainly Sinaida — only just pass. The effect tenors — Glenn Winslade, Alan Woodrow — make intermittently a more attractive effect, the former especially, though neither is at ease in coping with his cruelly high or low phrases. Neil Howlett's subtle, oily Pharaoh is already an interesting sketch that will no doubt grow vocally more confident.

The veteran Italian conductor, Alberto Erede, makes here a long-delayed return to London opera; he knows, of course, what the music is about, but his beat gave the impression of being hard for the soloists to follow, particularly in recitative. A veil of musical muzziness last night hung over three of the four acts, with only the occasional sublimely simple instrumental invention to pierce it.

Alastair Muir

John Tomlinson

AC/DC/Wembley Arena

Antony Thorncroft

Blue denim lives—in fact it was bursting with exuberance at Wembley on Friday when young men in their thousands shook their heads into temporary oblivion in time to the heavy crashing beat of AC/DC, one of the first of the heavy metal bands and still, over a decade later, perhaps the most potent.

It is very exhilarating to occasionally injure the eardrums with this most primitive and yet honest and enduring stream of popular music. It might be short on subtlety, on variety, but the excitement is terrific, and although the image of sex and drugs and rock and roll marketed by the band, and happily embraced by their fans, is a destructive cul-de-sac it still exercises a decadent glamour.

And it is basically escapist, and good humoured, a cathartic alternative to real violence. The two young men, smashed out of their minds and almost out of their bodies, who lurched in front of me, clinging to each other for support while actually pushing, first the one and then the other, almost to fatal injury as they collapsed on the rows in front and rolled over a parapet to a 15 ft fall, were turning all their frustrated energy in on themselves. When the inevitable authority arrived, two brave policewomen who soon chose the path of discretion, on both sides there was a mutual decision to live and let die.

AC/DC play up the therapy to the full. For a start the lead guitarist, Angus Young, makes a nonsense of the whole thing by dressing as a schoolboy in shorts and striped tie. To see him dash around the stage like a demented chicken, or strut across like Max Wall, reduces it all to a confusing parody—The Krankies meet Doctor Death.

The songs come fast and furious. Some like "Sin City," would be rock standards if they were in the repertoire of trendier bands. AC/DC have the edge on their rivals because they are actually able musicians. Angus Young is a confident soloist, and brother Malcolm keeps the rhythm rock solid. Singer Brian Johnson has all the right skills—a beer belly and a raucous screech—to match the instrumental megawatts. There is nothing to do under this britzkrieg but let the mind go and allow the body to look after itself. And the company, for all its ferocious appearance, is remarkably benign, beaten by the music into mental submission. Forget Germaine Greer and Barry Humphries; AC/DC remains Australia's most anarchic and explosive export.

Arts Guide

Music Jan 17–23

LONDON

Peter O'Hagan, piano. Schoenberg, Boulez and Debussy. Purcell Room (Tue).

London Philharmonic Orchestra conducted by Serge Baudo with Cecile Ousset, piano. Berlioz, Bizet, Ravel and Debussy. Royal Festival Hall (Thur).

PARIS

Beaux-Arts Trio: Haydn, Ravel, Beethoven (Tue). Salle Gaveau (45632030).

Orchestre de Paris conducted by Charles Dutoit, Michel Beroff, piano: Roussel, Liszt, Stravinsky (Wed, Thur). Salle Pleyel (45610630).

BRUSSELS

Belgian National Orchestra conducted by Mendi Rodan with Arthur Grumiaux, violin – Mozart (Thur).

ITALY

Rome: Auditorium via Della Conciliazione: Michael Tilson Thomas conducting and the soprano Magdalena Hayossova, mezzosoprano Lijana Nejceva and tenor Aldo Baldin. Beethoven and Janacek (Mon and Tue). Murray Perahia (piano). Beethoven sonatas. (6541044).

NETHERLANDS

Rotterdam, De Doelen. Recital Hall: Robert Holl, bass, and Rudolf Jansen, piano, present songs by Schubert, Schumann and Brahms to texts by Heine (Mon). The opening concert of the 1986 Schubertiade, with the Deutsche Messe, and vocal works (Wed). Tine Ruysschaert, narrator, Levente Kende and Heidi Hendrickx, pianos. Ravel, Prokofiev, Saint-Saens (Thur). (142911).

SPAIN

Madrid, Fundacion Juan March. Mozart Group of Opera conducted by Juan Hurtado (Mon). French Baroque cycle on Wednesdays, Castello 77. (4354240).

VIENNA

Vienna Symphony Orchestra youth concert conducted by Riccardo Chailly with Radu Lupu, piano. Rossini, Beethoven, Schumann. Konzerthaus (Mon and Tue). (721211).

NEW YORK

New York Philharmonic (Avery Fisher Hall): Erich Leinsdorf conducting. Weber, Hindemith, Bruckner (Tue); Erich Leinsdorf conducting, Walter Klien piano. Schoenberg, Stravinsky, Dvorak (Thur). Lincoln Center (8742424).

WASHINGTON

National Symphony (Concert Hall): Rafael Frühbeck de Burgos conducting, Lambert Orkis piano. Reger, R. Strauss, Stravinsky (Tue); Klaus Tennstedt conducting. Wagner, Beethoven (Thur). Kennedy Center (2543776).

CHICAGO

Chicago Symphony (Orchestra Hall): Chamber Music series with Pikler Trio. Schubert, Hindemith, Mozart (Wed 5.45); Sir Georg Solti conducting, Andre Watts, piano. Tchaikovsky, Liszt (Thur). (4358122).

Saleroom/Antony Thorncroft

The first major sale of 1986 at Sotheby's — of important Old Master paintings in New York — was relatively reassuring. It totalled £2,335,416 ($3,421,385), with 22 per cent unsold. The top price, £146,416 paid for *Christ as the Man of Sorrows*" by Lucas Cranach the Elder, was around double the estimate, while *The adoration of the Magi* by Jan de Beer did quite well at £127,645.

A peasant wedding by Pieter Brueghel the Younger sold for £120,137 while two paintings made £116,382 — *The Judgement of Solomon* by Martinelli and a Canaletto of the Grand Canal in Venice. The major disappointments were *The Nativity* by Jan Provost, which had been on the market as recently as 1983, and a Terbrugghen of a violin player, of which there are two other versions.

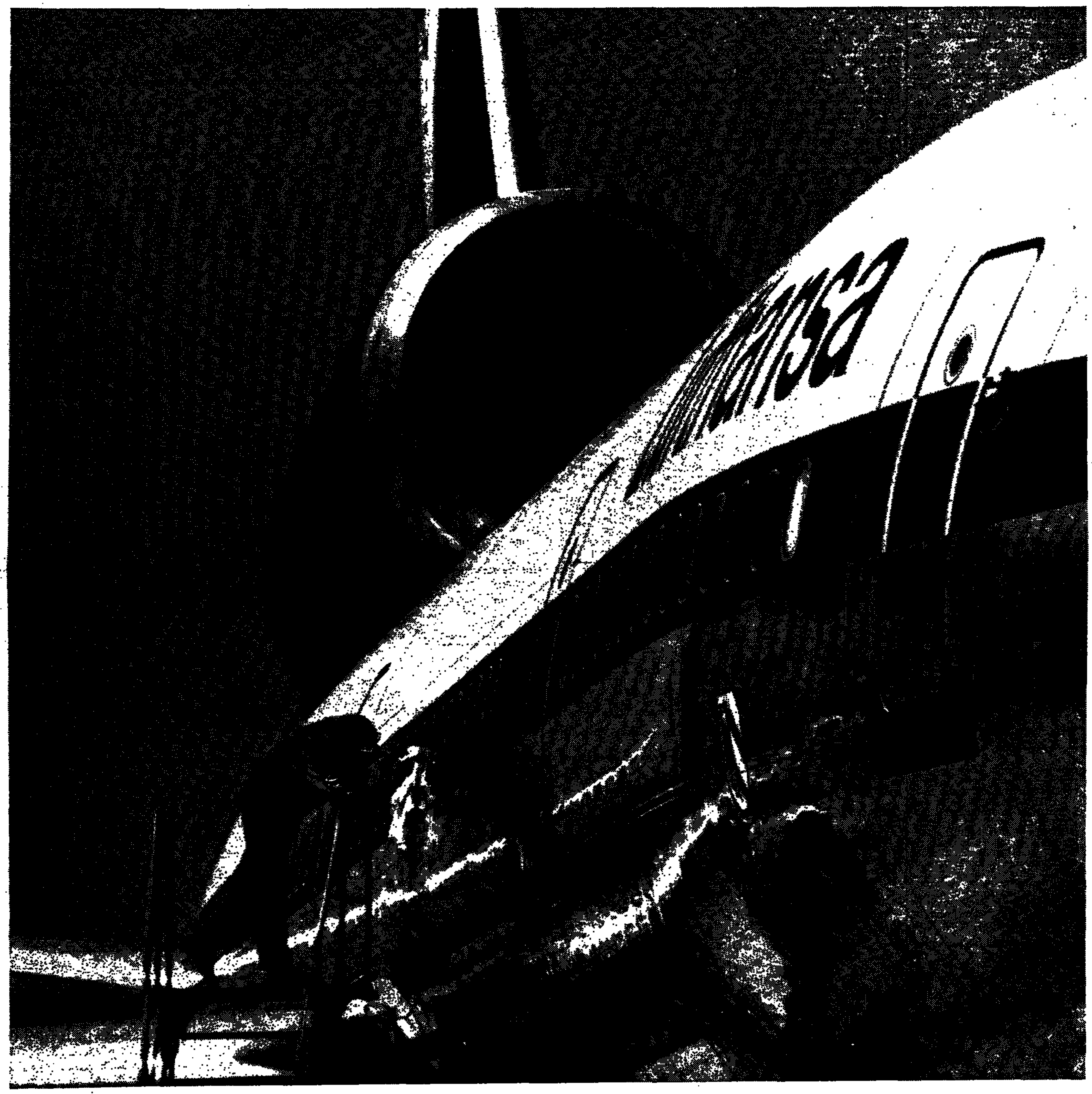
American museums are much more likely to clear out unwanted stock at auction and the Los Angeles County Museum disposed of 26 paintings in the sale, including a view of the Piazzetta in Venice by Carevaris which fetched £97,610.

Exhibition of artists at work in public

An exhibition at the South London Art Gallery, Peckham Road, London SE5, shows the results of eight artists' residencies in the north of England. The artists are Simon Granger, who was attached to Aycliffe Hospital in County Durham; Brian Chalkley at British Steel on Teesside; Stella Smith at the North Eastern Co-operative Society; Julie Livsey at Preston Hospital, North Shields; Stephen Rowe at Tyne Tees Television; Tom Wood at Vickers Defence Systems; Janina Struk at Washington New Town; and Christine Butler at Wrekenton Library. The exhibition closes on February 2.

هكذا من الأصل

You can take Lufthansa out of Germany, but you can't take Germany out of Lufthansa.



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Telegrams: Finantimo, London PS4. Telex: 8954871
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Monday January 20 1986

A stable dollar is not enough

EVEN WITHIN the tight-lipped traditions of international financial diplomacy, yesterday's two-sentence communique from the Group of Five finance ministers may have set a new standard for verbal austerity.

But the complacent obscurity of the G5's message—"the ministers were satisfied with the progress made so far" and agreed this progress "should not be reversed"—cannot disguise an undertone of perplexity and concern. Indeed, it may be no mere accident, given the delicate state of nerves of some of the meeting's participants, that the Ministers could not even bring themselves to spell out what they meant by "the progress made so far."

Satisfaction

In fact, this statement of satisfaction was intended to apply specifically to the co-ordinated intervention against the dollar which was initiated at last September's G5 meeting in New York's Plaza Hotel. To say so explicitly in the communique, however, might have underlined not only the differences which still exist among the world's leading governments about exchange rate policy, but also the far more important lacuna in the G5's celebrated Plaza Agreement.

Keeping the world economy on a path of stable and reasonably strong recovery may require much more extensive co-operation from governments than the od dsortie into the foreign exchange markets.

Suppose the G5 succeeds in its present currency objective, which is to avoid either a rebound of the dollar or a sudden plunge downwards. One has only to reflect on the rest of this weekend's G5 agenda to see that stability in the foreign exchange markets will leave many other international economic problems which are just as serious completely unresolved.

On interest rates and fiscal policy, it is clear that prospects for any international agreement are still a long way off. Even apart from the apparent loss of national sovereignty involved in setting domestic financial policies in an international context, many politicians and central bankers still think of co-ordination as a siren call from the inflationary 1970s. Yet, in the long-run, any attempt to stabilise exchange rates is bound to tie together at least the monetary policies of different countries. And having tied their monetary policies together through the foreign exchange markets, government's ability to pursue their own tax and spending goals, regardless of their international implications, soon begins to be constrained.

The cuts in the US budget deficit which Mr James Baker, the US Treasury Secretary, firmly assured the other finance ministers were now under way, will stem ultimately from America's over-riding need to get the dollar down and keep it there, without resorting to an inflationary relaxation of all monetary discipline. Conversely the greatest pressures on the West German and Japanese governments to cut their taxes have come from abroad.

The question which the US, West German and Japanese governments should all be asking themselves now is whether it is better to be forced into domestic monetary and fiscal changes as a result of international pressures and crises, or to plan macroeconomic policies from the outset with an international perspective in mind.

The same question arises about the two other major items on the G5's agenda—the fall in the oil price and the continuing travails over Third World debt. Everyone, including the Reagan Administration is agreed, it seems, that the oil price must be prevented from "collapsing." Equally, the initiative to help the debtors unveiled by Mr Baker last September commands universal support. But when it comes to action, each of the G5 governments is all too willing to retreat into its own parochial concerns.

The Baker initiative is held up by disparities in domestic bank regulation and by the Reagan Administration's apparent inability to keep political "cronyism" out of its nomination of a new president for the World Bank. On oil, differences in national interests, as much as rhetoric about free market pricing, have made it impossible for the industrialised nations to come up with a coherent long-term approach.

Of course it is understandable that politicians will always put their countries' short-term interests ahead of any demands for international co-operation. In an increasingly interdependent world, however, this is a choice which they cannot always make.

How to vet global share markets

THE Holy Grail for those who supervise the issuing and trading of securities is a system that is crash-proof and fraud-proof but which is also flexible enough not to stifle changes which new technology, and the evolving demands of investor and borrower, bring about.

The grail is particularly elusive at the moment because national supervisors, whether they be government employees or representatives of stock exchanges engaged in self-regulation, are facing many changes all at once. The compartments that once allowed the divide-and-rule of national securities markets are being replaced by open-plan. The distinction between securities business and banking is becoming blurred. The national frontiers which once ensured that national markets would remain broadly self-contained and thus responsive to national supervision are becoming completely permeable.

It is a situation full of excitement but also of danger. There is a real risk that rules of conduct in national securities markets, many of which grew out of the hard lessons of history, will be bowled over by changes in the markets, which make them unenforceable.

Challenge

The move towards cross-frontier trading poses many such threats to national standards of supervision. How will fraudsters be frustrated or caught if they can cover their tracks in markets abroad? How can trading in the shares of a company be suspended if they are traded in many places? How can one prevent "competitive deregulation" — the lowering of standards of capital requirements, compensation schemes, and the provision of up-to-date market prices, to the lowest common denominator? How can insider trading be eliminated anywhere if it is permissible somewhere?

The challenge is a daunting one because the security trading traditions of different countries differ widely—much more widely than do traditions in the business of banking. But it is certain that the challenge will never be met if contact and exchange of views between the relevant authorities of different countries is not increased.

At the moment there is one forum, the International Association of Securities Commissions, in which such an exchange can take place. At its last annual meeting it did indeed agree to explore ways in which countries could help each other enforce their securities laws. But this forum probably has too broad a membership to cope with the current pace of change in the securities business.

What is needed is a securities-industry equivalent of the Basle-based Committee on Banking Regulations and Supervisory Practices, or Cooke Committee, embracing a small number of the countries with important security trading centres. Initially such a committee could focus on the exchange of information required to deter and to punish securities fraud.

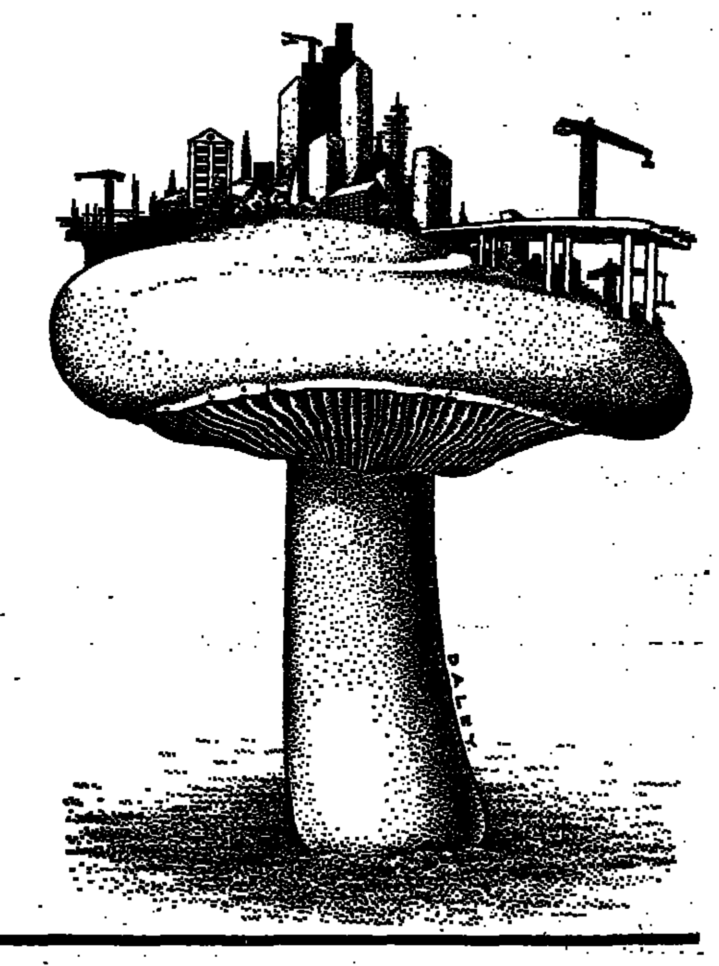
But it is to be hoped that such a committee could also, in time, stand back a little and try to agree on some general principles for supervision of the securities business against which the laws, rule books and price information systems in individual countries could be judged.

The British contribution could be most valuable here. Alone among the developed countries, the UK has recently sought radically to redesign its supervisory system to cope with new realities and to combine the clout of official supervision with the flexibility of self-regulation. The exercise has involved borrowing selectively from the securities regimes of other countries.

The British system is not yet complete. But this does not mean it is too early to press for the forum suggested. It is most likely that the current revolution in securities trading will soon throw up disputes and crises that could usefully be addressed in such a committee. And it is certain that requirements which have become evident in the international banking business — for a system of supervision free of gaps, and for some progress towards a "level playing field" on which banks can compete — will gradually assert themselves in the securities markets.

Europe's growth cities: Lyons

A mood of optimism at a southern crossroads



By David Housego in Paris

WHERE the Rhone rising in the Alps joins with the Saone flowing through eastern France has always been one of the market places of Europe.

But Lyons is now emerging as one of Europe's new metropolises—a centre of innovation and development on a continent where the major differences in the pace of economic growth are increasingly regional in character rather than national.

"I am convinced," says Mr Michel Rivoire, head of projects in the city's administration and who sees Lyons as well placed to exploit the breaking down of market barriers in the EEC and the entry of Spain and Portugal, "that over the next 20-30 years Lyons will be the centre of a major region linking North Europe with the Mediterranean and extending from the Massif Central to the Valley of the Po."

With a population of only 1.2m, Lyons is still only a modest city besides Milan, Frankfurt or Barcelona, with which it seeks comparison. Until recently it has suffered from the drawback that centralised France—unlike a federally structured Germany—has never permitted its provincial cities to rival Paris.

But Lyons has now many of the features that worldwide seem to mark cities in expansion in the second half of the 20th century. Take the triangle defined by Grenoble, Geneva and St Etienne—which is the Rhone-Alpes region and Lyons hinterland — and you have the largest concentration of universities, research institutes and laboratories outside Paris. More important, you have what is rare in France, a long tradition of industry working hand in hand with the universities.

With the Italian, Swiss and German borders no great distance away, Lyons is one of the few French cities—the Lyonnais would say the only one—to have a surplus on its trade account. The bulk of the exports come from the large national groups (Rhone-Poulenc, the French chemical company, is the largest single employer) and the other multinationals which account for some 35 per cent of Lyons' manufacturing output.

But the unusual characteristic of the area is the number and diversity of its small and medium-sized firms, many of which share an international horizon. It is no coincidence that Siparex, the regional investment fund which provides development and venture capital for medium-sized companies, insists that the firms in which it takes a stake have a strong European or worldwide market share in their field. Siparex, founded seven years ago, is mostly privately funded and prides itself on its own strong profit record.

Lyons is also the type of city where a health and leisure-conscious generation likes to live. It is in that climatic belt where the sloping roofs and grey stones of the north give way to the flat roofs and warm tones of the Mediterranean. It is less harried than Paris but like it is a city of architectural beauty built round its rivers. It is close to the mountains and ski slopes and has a tradition of gastronomy and good wine.

If there is one more advantage that should be added to this catalogue it is that Lyons is a focal point in Europe's motorway and express train networks. No single event has so transformed the city over the last few years as the building of the high-speed-train (TGV) which has brought Paris (288 miles away) within two hours' commuting distance

Official statistics do not tell the same story of vitality and self confidence that strikes most visitors to Lyons these days. Investment for the region as a whole was still declining until 1982 and unemployment remains at about 9 per cent or close to the national average. This reflects the restructuring that has taken place in the chemical and textile industries and the shake-out that has occurred in the engineering and metal transformation sector.

But Lyons began its restructuring earlier than most other French industrial regions. With the exception of Renault Vehicules Industries (RVI) and the motor industry where major cutbacks in the workforce are still to come, the bulk of the rationalisaton is now complete. "I think the worst is over," says Mr Georges Magneno, export director for Montambert, the pneumatic drill manufacturer. "I now sense a bit of optimism."

But the city's confidence in its future shows through in other ways. Look down from the Credit Lyonnais tower — the pencil-shaped skyscraper that dominates the city's skyline — and you see a host of cranes marking the building sites of new office blocks, hotels or urban renovation schemes.

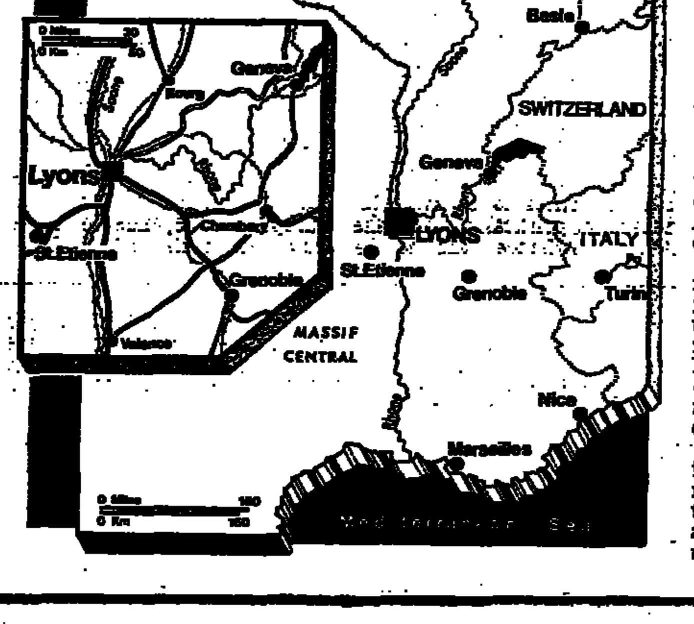
Office rents have been rising steadily, particularly in the Part-Dieu district where the new TGV station has been built. Some groups, like Rhone Poulenc or SNCF, the state railways, have been shifting divisional headquarters to Lyons, while others like IBM or Digital Equipment have been expanding their commercial operations. The number of international audit firms, computer software companies and employment bureaux has been growing.

Societe Lyonnaise de Banque, the main regional bank, reports that lending to small and medium-sized companies in the area is above the national average, reflecting a higher level of activity. But to most of the business community, the most tangible sign of the vigour of the region is the large number of medium-sized, high growth companies, many of which have recently sought listings on Lyons' booming unlisted securities market.

The competitiveness of the Lyons region is thus mirrored in the success of such widely differing local companies as Salomon, ski equipment and golf club manufacturers; Guerimand Voiron, producers of specialist and technical papers; Smoby, toy manufacturers; OCMC computer specialists; L. Payen and Co, stretch fabric producers; Kis, which has specialised in instant photo and key cutting; Coreci, measuring instruments; and Claude Berthier, toy manufacturers.

Lyons took a conscious decision some 11 years ago to try to transform itself into a high-technology metropolis at a time when its then industrial base seemed ageing and damaged by recession. It is one of the characteristics of Lyons—as it is worldwide of other growing cities—that this was a goal pursued hand in hand by the business community and the city's political fathers. Mr Raymond Barre, the former Prime Minister, now Opposition leader, is a deputy for the city as is Mr Charles Hernu, the former Socialist Minister of Defence.

"This is a region where politicians of whatever colour cherish its business traditions and work together to help develop them," says Mr Alain Merieux, head of the Merieux Institute, which markets vaccines worldwide. Reflecting this co-operation a third of the development projects now under way in the city are being financed and undertaken by the private sector.



At the time Lyons began its campaign, it was still a provincial "secretive, clannish and inward looking city," as one foreign resident describes it. But it has behind it a long international and innovative tradition. In the Middle Ages it marked the northern point of the commercial influence of the Italian bankers. Around the beginning of this century, some 50 different car manufacturers were at work in Lyons—of which Berliet, later absorbed by RVI, was the last.

Mitsui established its headquarters for South East Europe at Lyons in the 1920s—and it is still the headquarters for Black and Decker, the US hand tool manufacturers for the same region.

Lyons does not believe in trying to attract mobile industrial investment by offering subsidies—and the French Government has always tried to steer investment away from the area by using subsidies to get firms to settle in other parts of France.

Its policy has been to try to provide an environment through the quality of its education and training, good communications and well-located industrial sites that will tempt new investment. On top of that it has had in ADERLY (Association pour le developpement economique de la region lyonnaise), an organisation set up in 1974 and run jointly by the municipality and the business community, the most successful regional marketing agency in France, and one which has promoted Lyons' name from Japan to the west coast of the US.

Lyons is now concentrating its efforts on strengthening the region's high technology potential. The Rhone Alpes is already an area with an international reputation in nuclear energy (through both Framatome and the development of the fast breeder reactor), oil based and alternative energy supplies, medicine and biomedical engineering, new materials, chemicals, electronics and robotics.

It has eight universities and 22 higher education institutes. In two years time it will also be the home of the only Ecole Normale Superieure to be decentralised outside Paris.

It is by building on this framework that Lyons hopes to establish "technopoles" — centres of industry and research—both within the city and on its outskirts. Two recent catches drawn by this high-technology environment have been Hewlett Packard, the US electronics group which is building a manufacturing facility at the Isle d'Abeau to the east of the city, and Schering-Plough, the US pharmaceutical group which has opened a laboratory.

In an effort to emphasise its international character, Lyons has taken the risk of building what is described as the largest exhibition complex in Europe and is planning a new congress centre.

Like other fast developing cities, Lyons is also spending heavily on urban renovation, parks and recreation areas. Mr Rivoire believes "that the only cities that will pull through at the end of the century will be beautiful cities."

Lyons' advantage is that its city centre is unscarred by war damage or demolition. Its drawback—a legacy of the rapid growth of the 1960s—is an outer rim of high rise housing estates with a heavy concentration of unemployment and where in some areas the proportion of immigrants is as large as 30 per cent.

The city is only beginning to get to grips with this problem. Racial violence at Les Minguettes in the Lyons suburbs four years ago jolted both the local and national authorities into taking action. Schools in the area have been given more teachers, summer camps were organised for the children, and special facilities such as a computer workshop were set up to provide new interests for the young.

At Monmousseau, also in the Lyons suburbs, an experimental programme is underway to provide Moslem families from the Mahgreb with flats more adapted to their living patterns—including a separate reception area divided from the women's rooms. A small number of these flats is being grouped together to allow families from the Mahgreb to maintain their own identity while also integrating them into a French environment. But racial tensions still remain Lyons' biggest problem.

Lyons has still a long way to go before it achieves its goal of becoming a really international city. Its cinemas, for instance, still show few films in their original foreign language versions. Companies needing international legal advice or even an internationally based advertising agency still have to turn to Paris.

But its self confidence is undeniable. Mr Merieux says that "the potential of this region is remarkable" though he believes that it needs a stronger sense of regional identity. He has just entered politics as a candidate in next March's regional elections in the hope of strengthening its regional image.

This is the first in an occasional series on Europe's growth cities.

Men and Matters

Round the world on a Porsche

Still flushed with a sense of adventure, two West Germans are catching their breath after completing a six months, round-the-world flight to test the performance of the aero engine developed by Porsche, the sports car maker.

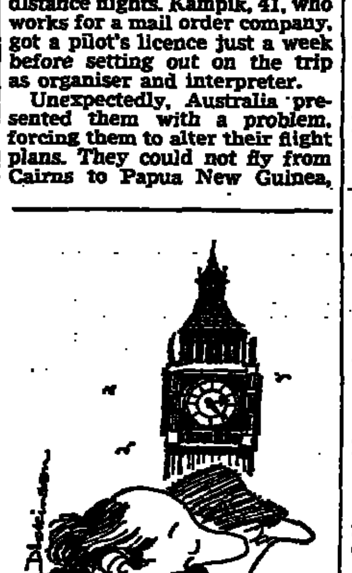
The pair, Michael Schultz and Hans Kampik, survived brief arrest as suspected drug smugglers in Ecuador, a hazardous night-flight off the coast of Angola, and a close brush with a mountain in Indonesia before landing their Mooney light aircraft on a snow-covered airfield last week at Donaueschingen, in southern Germany, from which they set out last July.

Schultz, 39, is a freelance aviation journalist who has made a name for himself with long-distance flights. Kampik, 41, who works for a mail order company, got a pilot's licence just a week before setting out on the trip as organiser and interpreter.

Unexpectedly, Australia presented them with a problem, forcing them to alter their flight plans. They could not fly from Cairns to Papua New Guinea, they said, because Australian regulations prevent single-engined aircraft flying more than an hour over water.

As if to prove a point, however, Schultz went on to fly the Mooney on lang-haul ocean stretches from the Marshall Islands to Hawaii (2,300 miles in 17 hours) and from Hawaii to California (2,440 miles in 15.3 hours). With extra fuel on board, there was no room for Kampik, who covered these stretches by commercial airliner.

After the champagne and story-telling, the pair are knuckling down to writing a book, while Porsche is gearing up for its assault on the aero engine market. The engine, intended for high-fliers with sport and business aircraft, is derived from the one used in Porsche's 911 model sports car.



"I enjoyed the rugby on Saturday—nice to see the in-fighting out in the open."

Doctors' doctor

A British doctor has created a novel consultancy. He is lending a sympathetic ear to doctors disillusioned with medicine, and is trying to steer them into careers they will find more satisfying.

Dr Tony Woolfson, aged 38, of Leighton Buzzard, has been advertising in the British Medical Journal offering career guidance for fed-up members of the profession.

"People have an image of medicine which is a bit different from reality," he says.

For £50 he offers a 75-minute interview and the chance to discuss an alternative career—either full-time or part-time.

Woolfson has already sampled the medicine he is dispensing. Qualified both as a physician and a biochemist, he was a consultant at City Hospital, Nottingham, for seven years. Increasingly, however, he found himself being drawn into management training and personnel problems.

Over 120 doctors have replied to his BMJ advertisements so far, and about one in five has signed up for a chat.

Taylor made

Less than six months after he quit the number two spot at Manufacturers Hanover, America's fourth biggest banking group, 58-year-old Harry Taylor—one of Britain's few international banking successes—has found a new job.

He has been hired by Edmond Safra, the mysterious Lebanese banker, to oversee the offshore banking operations of the Republic New York Corporation with assets of $15bn. He has been given a seat on the board and will be chairman of Republic's Panamanian and Bahamas operations as well as a brand new venture in Guernsey, where he now lives.

Taylor, who had a meteoric rise to the upper echelons of Manufacturers Hanover after he left Liverpool-based Martins Bank in 1969, stresses that his new job is by no means full-time and he has no intention of returning to the hectic life he led as president of Manufacturers Hanover. "I keep chairman's hours these days," he says.

He will still be able to find time to tend his garden as well as put in an appearance at Republic's Guernsey office which has $150m capital but a staff of less than half a dozen at present. He expects to spend 50-60 per cent of his time on his new job but will continue his work as a consultant to Deloitte Haskins and Sells.

Taylor's links with Safra, who is regarded as one of the canniest bankers around, go back 20 years or more; and his move to Republic, which is about a quarter of the size of Manufacturers Hanover, is not as unusual as it might first appear. The two banks have been close over the years, and Taylor follows in the footsteps of two of his former colleagues, Peter White and John Waage, who were both offered jobs at Republic on their retirement.

City watchdog

My appeal to readers to provide the future name of the City watchdog, bred out of the union of the Securities and Investments Board and the Marketing of Investments Board, prompted a litter of suggestions.

There were several FIDOs (Finance and Investment Dealer Overlord), a memorable CODSRO (Confederation of Dealers in Securities Regulatory Organisation), an imposing COLOSSUS (Committee for Oversight of Lloyd's and Other Self-regulating Services Using 'Suasion), and the tuneful Economic Investment and Enterprise Industry Ombudsman — EIEIO.

But the bottle of champagne goes to Alan Bayley, of McAvoy Wreford Bayley, for devising an acronym of suitable bite and pedigree in CERBERUS, the unsleeping dog of mythology which guarded the entrance to Hades.

Two other readers submitted the same acronym, but neither arrived at it quite so neatly as Bayley's City and Exchanges Regulatory Board Exercising Rights Under Statute.

Bayley's other suggestion, BOSSI, the Board of Supervision of Securities and Investments, also helped to tip the scales in his favour.

Time-piece

A management consultant died and went to Heaven. At the gate, he protested to St Peter: "There must be some mistake. I'm only 52, I shouldn't really be here yet." St Peter consulted his big book. "According to the time you've charged your clients," he said, "you're 87."

Observer

BASE LENDING RATES

ABN Bank	12½%	■ Hambros Bank	12½%
Allied Dunbar & Co.	12½%	Heritable & Gen. Trust	12½%
Allied Irish Bank	12½%	■ Hill Samuel	§12½%
American Express Bk.	12½%	C. Hoare & Co.	12½%
Amro Bank	12½%	Hongkong & Shanghai	12½%
Henry Ansbacher	12½%	Johnson Matthey Bkrs.	12½%
Associates Cap. Corp.	12 %	Knowsley & Co. Ltd.	13 %
Banco de Bilbao	12½%	Lloyds Bank	12½%
Bank Hapoalim	12½%	Edward Manson & Co.	13½%
Bank Leumi (UK)	12½%	Meghraj & Sons Ltd.	12½%
BCCI	12½%	Midland Bank	12½%
Bank of Ireland	12½%	■ Morgan Grenfell	12½%
Bank of Cyprus	12½%	Mount Credit Corp. Ltd.	12½%
Bank of India	12½%	National Bk. of Kuwait	12½%
Bank of Scotland	12½%	National Girobank	12½%
Banque Belge Ltd.	12½%	National Westminster	12½%
Barclays Bank	12½%	Northern Bank Ltd.	12½%
Beneficial Trust Ltd.	12½%	Norwich Gen. Trust	12½%
Brit. Bank of Mid. East	12½%	People's Trust	13½%
■ Brown Shipley	12½%	PK Finans. Intl. (UK)	13 %
CL Bank Nederland	12½%	Provincial Trust Ltd.	13½%
Canada Permanent	12½%	R. Raphael & Sons	12½%
Cayzer Ltd.	12½%	Roxburghe Guarantee	13 %
Cedar Holdings	13 %	Royal Bank of Scotland	12½%
■ Charterhouse Japhet	12½%	Royal Trust Co. Canada	12½%
Citibank NA	12½%	Standard Chartered	12½%
Citibank Savings	¶12½%	TCB	12½%
City Merchant Bank	12½%	Trustee Savings Bank	12½%
Clydesdale Bank	12½%	United Bank of Kuwait	12½%
C. E. Coates & Co. Ltd.	13 %	United Mizrahi Bank	12½%
Comm. Bk. N. East	12½%	Westpac Banking Corp.	12½%
Consolidated Credits	12½%	Whiteaway Laidlaw	13 %
Continental Trust Ltd.	12½%	Yorkshire Bank	12½%
Co-operative Bank	*12½%		
The Cyprus Popular Bk.	12½%	■ Members of the Accepting Houses Committee.	
Duncan Lawrie	12½%		
E. T. Trust	13 %	* 7-day deposits 8.70%. 1-month 9.03%. Top Tier—£2,500+ at 3 months notice 12.06%. At call when £10,000+ remains deposited.	
Exeter Trust Ltd.	13 %		
Financial & Gen. Sec.	12½%		
First Nat. Fin. Corp.	12½%		
First Nat. Sec. Ltd.	12½%	† Call deposits £1,000 and over 8% gross.	
■ Robert Fleming & Co.	12½%		
Robert Fraser & Ptrs.	13½%	¶ Mortgage base rate.	
Grindlays Bank	†12½%		
■ Guinness Mahon	12½%	§ Demand dep. 8¾%. Mortgage 13½%.	

Foreign Affairs

Westland: a symptom of Britain's Euro-dilemma

By Ian Davidson

President Francois Mitterrand and Chancellor Helmut Kohl. "Only the Germans can persuade the French to rethink their defence policy"

ONE OF the most curious aspects of the Westland affair and its fallout is its elevation by Mr Michael Heseltine into a Constitutional Question. During an hour-long TV interview on Weekend World, just three days after his resignation from the Cabinet, he spoke of nothing but these Constitutional Questions: the Rights of Ministers, the Claims of Collective Cabinet Responsibility, the Entitlement to full and Open Discussion of the Issues, the Role of the Prime Minister as *Primus Inter Pares*, and so on. The one issue he did not refer to during the entire interview was the issue over which he really resigned—the case for a European rather than an American rescue of the Westland helicopter company.

Mr Hugo Young of the Guardian has delivered a thunderous rebuke to Mr Heseltine, arguing in the most magisterial terms that there is not the least shred of a constitutional question at stake in this case. Perhaps he is right; but the one thing that is certain, beyond peradventure, is that Michael Heseltine did not resign for constitutional, but for policy, reasons.

No doubt Mr Heseltine has as great a respect for constitutional proprieties as most politicians; but the record suggests that, in the rough-and-tumble of political conflict, Mr Heseltine has on occasion indulged in jiggery-pokery when it seemed necessary for his policy objectives, as in the smearing of the Campaign for Nuclear Disarmament (CND), or in the evasions over the sinking of the Belgrano in the Falklands War, which led ultimately to the trial of Mr Clive Ponting. Ministers resign, if they do, for the sake of policy issues, and Mr Heseltine is no exception to this general rule.

In this case, it is evident that Mr Heseltine resigned not for constitutional reasons in the abstract, but because he felt that the European option for Westland was being denied a fair crack of the whip in competition with the Sikorsky-Fiat package. In public, he initially represented the grounds for his resignation as a constitutional issue, no doubt because he believed that this would give him greater moral leverage against the Prime Minister, and would enlist much broader support on both sides of the House of Commons: the issue of Britain's European postures has not yet assumed such saliency in the country at large as to constitute a reliable platform for political popularity.

Nevertheless, it is worth underlining the fact that the unfolding of the Westland battle has given much greater saliency to Britain's European dilemma, and it is a measure of this that a minister in a great department of state has chosen to resign over it. This is certainly a first for Britain; I am not aware that any comparable minister in any other Community country has ever resigned for the sake of what he saw as the European interest.

Moreover, it is striking that, in last Wednesday's Commons debate, Mr Heseltine shifted the balance of his attack against Mrs Thatcher: the first issue he raised was the relationship of Britain with Europe and the United States and the need for a stronger European defence industrial base; the role of the British Government in this affair was only the second theme of a speech which, by all accounts, dominated the proceedings. In other words, by last Wednesday Mr Heseltine was acknowledging much more freely that he had resigned, not on constitutional but on policy grounds.

One can only speculate about the reasons for this shift. Who knows, Mr Heseltine's mail-bag may have suggested to him that there is, after all, a vast tide of popular sentiment in favour of the European connection, waiting to be tapped by the right leader on the right issue. Unfortunately, it is more likely that he detected a murkier pool of anti-American sentiment which he could divert to his cause, even if he himself disclaims any such anti-Americanism.

This would be unfortunate not just because anti-Americanism is a mean-minded sentiment, based on the resentment of the weak for the strong, the poor for the rich, the ossified for the dynamic, but because it is a poor guide to policy. There is no case for systematic anti-Americanism. By all essential measures, they and we share a common (or at least a very similar) set of values — political, economic and philosophical; and in a dangerous world we depend, to a large extent upon them for our security, just as they depend, to a lesser extent, on us for theirs.

On the other hand, there is even less a case for veering away from a European option just because some people in the US may level a charge of anti-Americanism or protectionism. For 30 years, the Americans have been deeply ambivalent about the whole European enterprise. On the one hand, they say they want a stronger and more united Europe, *inter alia*, so that Europe may be better able to defend itself against the Soviet threat. On the other, when the European option manifests itself as Community preference in economic terms, the Americans level charges of protectionism; when it manifests itself in closer European discussion of defence issues, they charge the Europeans with being disloyal allies.

European governments need to deal with these American complaints with some robustness, not with nervous anxiety, because they are not disinterested complaints. A Europe which is strong and submissive, united but fully permeable, would suit the US down to the ground; but even if such a combination of characteristics were attainable, they would not be in the interests of Europe. It is in the interests of European countries to be more independent politically, within the Atlantic Alliance, and to be more competitive economically; these interests can only be secured by more intra-European co-operation, because there is nowhere else to go, and it is foolish to pretend that that co-operation can be attained without the clear expression of governmental preferences and commitments.

Take the Channel Tunnel project, on which Mrs Thatcher and President Mitterrand are due to take some decision of principle at their meeting in Lille today. Mrs Thatcher has insisted on ideological grounds that the cross-Channel link must be a private affair, privately financed, and the French Government has acquiesced. Yet the private character of the funding will do nothing to release the British Government from the political commitment implicit in the project. For if it runs into engineering or cost difficulties, as it well may, Britain will be unable to shrug off its responsibilities. In those circumstances, the privateness of the project will prove a polite fiction.

Or take the question of defence procurement collaboration, as exemplified by the Westland case. Mr George Younger, the new Defence Secretary, has moved smartly to reassure his European counterparts that the British Government still believes in European co-operation; he could hardly do otherwise, not just because the Westland affair has given quite the opposite impression, but because there is no other policy which has a chance of improving the cost-effectiveness of defence production, while maintaining a significant element of national/European independence in a sector which also affects European competitiveness in civilian technology.

As Mr Christopher Tugendhat points out in his new book, Making Sense of Europe*: "Unless European countries are able to pool their resources to a greater degree, it will be impossible for them either to afford all the equipment they feel they need, or to maintain the industrial capability on this side of the Atlantic to provide it."

Moreover, he goes on: "If public opinion in Europe feels that the organisation of Europe's defence is largely in American hands and primarily in the American interest, it will be impossible to generate sufficient support to maintain the equipment, numbers and preparedness of the armed forces of European countries at appropriate levels in terms of either Nato's needs or their own economic potential. . . . This in turn will reinforce doubts in the US as to whether it is worth devoting so much effort to Europe's defence."

It will be interesting to see whether Mr Younger's assurances are believed. One should not, perhaps, take literally all the continual threats to freeze out Westland if Sikorsky were *to win the day; but the* generalised fall-out may well be to stimulate closer co-operation between continental defence contractors and their governments, at the expense of Britain. As it is, the French and German governments are already giving additional impetus to the objective of closer bilateral defence co-operation at all levels, as part of a general strengthening of the Franco-German relationship as the motor for European integration.

From one point of view, closer Franco-German defence co-operation is an essential condition, at least as a transitional phase, for future progress in the European enterprise. The chief political obstacle to European integration in the past has been the exclusion of defence and security issues, because of France's idiosyncratic and isolationist defence policy outside the integrated *Alliance*.

Only the Germans can persuade the French to rethink this policy, because Germany remains a constant source of anxiety to the French, as was demonstrated so vividly during the *Euro-missile crisis*. Conversely, it is extremely improbable that the Germans will be persuaded to go much further with what they see as concessions in economic integration, unless their security concerns and French defence policy can be more closely reconciled.

But while the Franco-German relationship has a certain historical and geographical inevitability, it is not in Britain's interest, nor in Europe's that it should become too strong or too dominant. Much diplomatic effort has been devoted, especially in the Community context, to making sure that Britain is not put on the margin by the other two big member states; but Britain's Franco-German dilemma could well be exacerbated by the impressions created by the Westland affair. The trouble with Westland is not that it is too small to deserve the fuss, but that it has thrown up a set of impressions whose ramifications may matter a great deal.

* *Viking, £9.95.*

Lombard

Immigrants and Trojan horses

By John Plender

LAST Thursday in the Commons Mr David Waddington, Minister of State at the Home Office, described as "fair and comprehensive" the nationality provisions of the Hong Kong Act 1985. Those provisions are designed, among other things, to prevent 10,000 potentially stateless non-Chinese citizens in Hong Kong from settling in Britain, while conferring on them *second-class status* in Hong Kong after the return of sovereignty to China in 1997.

On the same day G. D. Searle, a subsidiary of the US chemical giant, Monsanto, declared that it was pulling out of drug research in Britain at a cost of 300 jobs. It had found the British uncomfortably robust in negotiating drug prices.

Those unconnected incidents serve to underline the way in which Mrs Thatcher's government has been strikingly illiberal in its attitude to non-white Commonwealth immigrants, while remaining unusually liberal by international standards in its attitude to corporate immigrants, in the sense that it has sought to put a disproportionately large chunk of the British economy into their fickle hands. From a purely economic point of view we might just be better off if the priorities were completely reversed.

Racial prejudice apart, the *fear of immigrants* usually boils down to the conviction that they will take away jobs from those who got here first. Yet this is no more than a crude form of the "lump of labour" fallacy; the misconception that there is a fixed amount of goods and services to be produced in the economy and that if the supply of labour increases, more unemployment inevitably follows. The more relevant questions are what impact, if any, the influx of people will have on wage levels; what policy response, if any, is needed to accommodate such an expansion of the work force; and what longer-term benefits are likely to accrue.

In the case of Hong Kong 10,000 the number is surely too small to have a significant short-term economic impact. But for what it is worth, recent empirical research by Patrick Geary and Cormac O'Grada for the Centre for Economic Policy Research tends to confirm earlier findings that immigration has only a small impact on real wages.

On the positive side one has to look no further than the commanding heights of British industry and commerce (ICI, Shell, Marks and Spencer) to see the immigrant contribution to economic growth.

It would be foolish to deny that corporate immigrants have made a useful contribution to the Exchequer and to the growth rate. What is open to question is the wisdom of relying so heavily on foreign multinationals to regenerate Britain's manufacturing sector. For, as Searle and others have shown, these Trojan horses are hoof-loose.

Nor is the structure of the average multinational necessarily designed to bring about the best allocation of employment and output between different countries, or to transfer technical innovation across the right national boundaries. In an ideal world foreign multinationals would invest in sectors where the host country has, or is likely to develop, comparative advantage—that is, sectors in which specialisation yields higher productivity. But in practice many multinationals keep research and development at home. Foreign subsidiaries often rely on home component supplies. Integration of the multinationals' organisational structure may mean that investment decisions reflect absolute, not comparative, advantage. The result can be de-industrialisation in the host country.

By contrast, the individual immigrant is neither a Trojan horse, nor a touchy hostage, nor likely to turn into a bird of passage at the first sign of trouble. He or she has a stake in the host country and a powerful incentive to win social acceptance through hard work and entrepreneurial activity.

And leaving economics to one side, immigrants also pose a revealing test of a country's political and social values. Is the proposal to keep out the Hong Kong non-Chinese (or indeed the Government's earlier *British Nationality Act of 1981*) the hallmark of a civilised society? I doubt it.

Letters to the Editor

Save British science

From Professor C. Blakemore and Dr J. Mulvey

Sir,—David Fishlock's column "Counting the cost of scientific decline" January 14 highlights the reasons why research *funding must outstrip* inflation, and the chaos that has been produced by inconsistent science policy in the past; but it fails to convey the urgency of the situation — an urgency that has prompted more than 1500 scientists to dip into their pockets to buy half a page in *The Times* to advertise their deep concern about the current policies for support of research in this country.

One of the crucial points he *neglected is the damage* already caused to university based research by the Government's reduction in the funds available to the UGC, which accounts for about half the support for research through the "dual support" system. In spite of the Government's apparent intentions, these cuts fell disproportionately heavily on scientific research and further harm will be done by the next round of reductions.

The prospects for young scientists who might have taken up a career in research are dismal; they, and a number of their seniors, will increasingly turn away and many will follow others by going, or staying, abroad.

All this would be bad enough, but one country cannot, on its own, determine the pace of progress in knowledge. The UK is the only advanced nation allowing its investment in research to decline and the standards at the *frontier of* science are being set by those, including our neighbours France and Germany, whose policy is to increase, in real terms, their expenditure in research and to build up the numbers of their *scientists*.

The urgency of the Save British Science (SBS) campaign might have been more readily appreciated by readers if David Fishlock had given the SBS estimates that by the end of the decade, unless present UK policy is changed, France will be investing about twice and Germany three *to four times* as much in basic research, across all fields.

For the UK this will entail greater and greater selectivity beyond that of our competitors; we shall be forced to retreat from more and more areas of frontier research. We do not want to see a retreat become a debacle.

This is why the Save British Science campaign is receiving such widespread support and why more than fifty fellows of the Royal Society, including eight Nobel laureates, were prepared to announce their support publicly.

(Professor) Colin Blakemore,
(Dr) John H. Mulvey.
c/o University Laboratory of Physiology,
Parks Road, Oxford.

Channel links

From Mr A. Green

Sir, — Your editorial (January 8) on the proposed Channel fixed link is welcome for its statement that "A fixed link is not an economic necessity." You do not, however, pursue that argument. The economically unnecessary fixed link *would introduce* gross overcapacity into the market for transport to mainland Europe. The result would be a vicious price war and the *destruction* of the currently viable and forward-looking ferry industry, accompanied by major damage to the ports servicing it. The net job loss in the UK is likely to be 40,000.

The alternative scenario is that a fixed link will fall victim to its inherent practical weaknesses; the project may not be *completed*, for financial or logistical reasons; attack by terrorists or accidents may either block it or deter users if it is reopened *after such* incidents. In this case it will simply become the most expensive white elephant in history.

Your editorial continues by claiming a political necessity for the link; it will symbolise national commitment to Europe. The two governments could achieve this aim at no cost. Reduction of border-crossing formalities would be a far more direct symbol of the ideals of the European Community. It would also achieve far greater time-savings than those being claimed by fixed-link proposals.

The real political motives are those to which you also refer, the electoral and policy presentation advantages. It is these factors which explain the undemocratic steam-rollering of the decisions this far. The refusal of a public inquiry in Britain is the most obvious result. The parliamentary hybrid Bill procedure may allow some analysis of the real merits and consequence of the project, but it is hard to imagine its producing the widely reported presentation of facts and principles which would have come from a public inquiry.

There is no electoral mandate for a fixed link. The citizens of Britain are entitled to a thorough public debate.

Alan Green.
District Office, Transport and General Workers Union.
5a, New Road Avenue,
Chatham, Kent.

Running in tandem

From Mr A. Danielsson

Sir,—*A last minute* suggestion from a neutral observer —Swedish subject, ex resident of the UK now living in France. Since the British and the French have been unable to agree on anything, historically since the battles of Crecy, Poitiers etc may I suggest that the two leaders agree to split the link in two.

Britain builds, finances and runs the road link driving on the left, of course, all the way to Calais.

France builds the rail tunnel the way it likes it and may call it SNCF all the way to Folkestone.

Ake Danielsson.
309 Av Briens,
78670 Villennes, France.

Regulation of gas prices

From the Director General, Chemical Industries Association

Sir,—Your editorial on the regulation of gas prices (January 3) seems to offer masochism as a suitable basis for energy policy: high costs are good for you! In the practical domestic market this equates to *rationing by price for those not* wealthy enough to be indifferent to cost.

Irrespective of the arguments for and against price regulation for domestic gas consumers in a national policy context, however, the most *alarming feature* of your editorial is its complete lack of any recognition of the European and international dimension within which many industrial consumers have to compete.

You allege that UK gas prices are now some 15-20 per cent lower than they should be. Yet it is only in the past two years that UK industrial gas prices have become competitive with those elsewhere in the *European Community—and this only* as a result of a prolonged battle by UK industrial consumers.

The present trends for industry are in fact the reverse of your figures. Industrial gas prices elsewhere in Europe are currently declining sharply, reflecting a worldwide glut in gas supplies.

Martin E. Trowbridge.
93 Albert Embankment, SE1.

A Bill for babies

From Mr C. Whitehouse

Sir,—In his article of January 14. Peter Marsh suggests that Mr Ken Hargreave's Private Members Bill — due for its second reading on January 24 — could curtail work on vitro *fertilisation. Mr Marsh can,* perhaps, be forgiven for his error since he commented before the Bill was published.

In fact Mr Hargreaves is sponsoring a Bill virtually identical to that introduced last Session by Mr Enoch Powell, MP, and about which the Department of Health and Social Security has commented, in *writing, that it would not interfere* with current IVF practice nor with improvements and developments in this field.

Mr Hargreaves has also introduced into the Bill those amendments which Mr Powell indicated he had been prepared to accept in order to ensure that *any criticism* that the measure would hinder IVF work was *unfounded*.

Christopher Whitehouse
Society for the Protection of Unborn Children,
7, Tufton St, SW1.

Controlling Lloyd's

From Mr R. Kershaw

Sir,—As an underwriting agent at Lloyd's for over thirty years, I must take issue with you over your second leading *article of January 14.*

You infer in your last paragraph that Lloyd's should be brought within the scope of a comparable regulatory system to that of the Financial Services Bill which could mean *that Lloyd's, under a more left* wing Government, would become "Government controlled." What your leader writer does not appear to realise is that approximately 75 per cent of Lloyd's business *emanates from the dollar* sources and any whisper of Government control could mean a loss of a large proportion of that business. In 1946 when a Socialist Government was in power and there were rumours *that there* was going to be Government interference through a wealth tax, a special statement had to be issued to repudiate this rumour.

Since the passing of the Lloyd's Act 1982, no further scandal *has occurred and therefore the* purpose, to me, of this new enquiry is of little value.

R. F. Kershaw.
Lloyd's,
Lime Street, EC3.

FINANCIAL TIMES

Monday January 20 1986

Terry Byland
on Wall Street

Wary eye kept on gold's rise

LAST WEEK'S surge in the gold price, powered by European and Middle Eastern buyers, caught New York by surprise.

First instincts on Wall Street were to dismiss it as a largely technical reaction to Middle East tensions, with nervousness ahead of the G5 meeting thrown in for good measure.

Gold's prospects have been viewed with scepticism by US investors ever since inflation began to moderate. "We are in a deflationary period now," commented Mr Eliot Janeway, one of gold's more redoubtable foes.

But by the end of the week, some analysts were beginning to ask questions, if not actually think the unthinkable, that a rush into gold might mean a change of view about inflation and the attractions of the US financial markets.

At the very instant that gold prices were beginning to twitch, Mr Michael Levinson, one of the Street's experts on the metal, was telling a symposium at the Harvard Club exactly that.

"We are at the beginning of a major bull market for gold" was his message. By the end of the week, he was not alone in his view.

As always, the market was not short of technical explanations for the revival of gold. One Middle Eastern customer has been a buyer for some weeks, acquiring some 5m ounces of gold, or about 10 per cent of current annual supply.

Both Japan and the US are committed to minting gold coins – the US has said that it will buy the necessary gold on the open market.

But these factors were well known in the marketplace and can be linked with last week's buying in only the loosest sense. So, in explaining why gold is now at an 18-month high, and why Thursday's turnover was a massive 10m ounces, a touch under the peak day of 10.7m, Wall Street had to dig deeper.

Mr Levinson, like others in both the gold and the financial securities markets, points to black Wednesday, January 8, when bonds crashed and the Dow Jones industrial average tumbled by 39 points. US investors, he thinks, will turn increasingly to gold because they have smelled trouble in the securities markets. They are fearful of inflation, of massive international and domestic debt and, for good measure, of the situation in South Africa, where the mines might be the next target for terrorist attack.

Mr Jeffrey Nichols, of American Precious Metals Advisory, also believes that "gold is entering a new era." While not subscribing to doomsday views of the US stock markets, he comments that the investment alternatives to gold are not as attractive as they were a few weeks ago.

Inflationary worries are certainly a part of gold's armoury. Mr Nichols comments that, in the wake of the 8 per cent rise in US producer prices over the 1985 final quarter and the high employment and retail sales figures for December, Wall Street has been raising its 1986 inflation forecasts. A month ago, inflation of 2-3 per cent was the average. Now, it is more like 5-6 per cent.

Moreover, last week's gains, if they remain in place, confirm that a falling dollar does mean a higher gold price, even if the response is delayed. At current prices, gold has gained 26 per cent from the low of February 1985, which just balances the fall in the US currency over the period.

Wall Street will be watching the gold markets closely over the next few weeks. In the very short term, the dollar's prospects will probably prove the most significant factor, but the bulk of such a rise in gold is probably over now. The fun will start if the market decides to agree with the gold bugs that inflation is returning.

Mr Levinson's last word on the matter was: "Gold will be above $600 an ounce by the end of June." If that happens, the gold market will be the only one celebrating.

Western trade ministers expect tough Gatt talks

BY STEWART FLEMING IN SAN DIEGO

TRADE MINISTERS from the leading industrial countries remain hopeful that a new liberalising round of international trade negotiations will be launched within the General Agreement on Tariffs and Trade (Gatt) in September.

But the officials conceded that divisions about what the priorities in a new Gatt round should be and the complexity of the trade topics that must be considered are among factors that will make efforts to launch a Gatt round particularly difficult, and the eventual negotiations themselves arduous.

At the end of a meeting attended by the top trade officials from the US, European Economic Community, Canada and Japan, Dr Clayton Yeutter, the US Trade Representative, said the launch of a new Gatt round this year "is certainly not assured."

Mr James Kelleher, the Canadian Minister for International Trade, added: "We do not think [the launching of] a new round is in jeopardy but what the topics on the agenda will be and what the scope of the topics should be, these are the main areas of dispute."

Officials described the atmosphere at the tenth in the regular series of "quadrilateral" meetings of industrial country trade officials as friendly and constructive. "This quad dealt with more concrete substantive issues than we have confronted previously," Dr Yeutter said.

The meeting was designed to define industrial-country priorities and strategies in the talks that open this month to prepare the way for the launch of the Gatt negotiations.

A top priority in those preparatory discussions will be to establish an agenda for the Gatt round to bring the leading developing countries into the negotiations.

Some officials said they were not unhappy about the differences that surfaced during the weekend's discussions. They feared that too much unanimity there might create the impression that the industrial countries were moving in the direction of imposing their views for a Gatt agenda on the developing world.

But there are also real concerns about the difficulties of getting a new round started. Mr Willy de Clercq, the EEC Commissioner responsible for trade, was concerned about the danger of the US's adopting what developing countries might see as a protectionist stance in the forthcoming negotiations over a new Multi-Fibre Arrangement (MFA) covering world trade in textiles.

InterFirst dividend cut feared

BY WILLIAM HALL IN NEW YORK

INTERFIRST, the formerly fast growing Texas bank which has had difficulties over US energy lending, has reported virtually unchanged fourth-quarter earnings of $13.7m which will increase fears on Wall Street that the group may have to cut its dividend for a second time.

Although it is over two years since InterFirst ran into financial problems, the latest earnings figures underline the slowness of the recovery at one of the biggest banks in Texas. In 1985 the group earned $61.1m, but this was after crediting a non-recurring gain of $55.7m on the sale of its InterFirst One office tower.

In 1984 the group, which boasts assets of $22.1bn, earned $117.8m, but that was after a $70m non-recurring gain on the sale of its interest in the InterFirst Two office building.

InterFirst's provision for loan losses in 1985 rose from $173.2m to $204.6m and its loan charge-offs slipped from $217.8m to $187.7m. Its reserve for loan losses at the end of 1985 totalled $255m or 1.69 per cent of loans outstanding, compared with $238m, or 1.56 per cent of loans outstanding a year ago.

The group cut its quarterly dividend from 30 cents to 15 cents after its problems first surfaced, but in recent quarters its earnings have been barely covering its dividend.

The troubles in the US energy industry are proving to be more deep-seated than many observers had predicted a year ago, and that is delaying InterFirst's expected financial recovery and increasing the likelihood that the group may be forced to cut its dividend a second time to conserve cash and bolster its primary capital ratio, which at the end of the third quarter stood at 6.7 per cent.

BAe may quit leadership of Westland bid

Continued from Page 1

firmed that talks did take place between the two companies before the European consortium was formed. Fiat is said to have been interested in taking a 20 per cent stake in Agusta, which is 97 per cent owned by the state holding company Efim.

Since then the sensitive question of Fiat buying into Agusta has become even more delicate, since Italian political parties have taken sides on the question of Westland.

Peter Riddell, Political Editor, writes: Mr Brittan yesterday launched the strongest ministerial attack on Mr Heseltine over the Westland affair since his resignation as Defence Secretary

It provoked an immediate, angry response from Mr Heseltine's allies and raised the temperature of the political row just when other ministers hoped it was beginning to cool.

Mr Brittan said in a television interview that he had been put in an impossible position by Mr Heseltine's behaviour in "persistently, repeatedly and deliberately flouting" a Cabinet decision not to take sides.

Mr Brittan produced a sheaf of papers to give examples of what he claimed was Mr Heseltine's misleading and inaccurate campaigning on behalf of the European consortium.

He vigorously defended his own record. He said that a reported meeting with Mr James Prior, the ex-minister and chairman of GEC, had been at the latter's request and he had put pressure on him to withdraw from the European consortium.

Mr Brittan's self-confident performance was said to have impressed the Prime Minister, but senior ministers were worried that Mr Brittan's outspokenness, though understandable in view of all the attacks on him in the past fortnight, might be counter-productive.

Mr Heseltine himself refused to comment yesterday, apart from saying that he was "content" that the whole situation would be investigated by a Commons select committee. Mr Heseltine apparently feels that continued public campaigning by him might antagonise Conservative MPs.

G5 rules out move to cut interest rates

Continued from Page 1

rates down. We must ensure that the climate is right in the markets. The best contribution we can make is not to damage inflation expectations", one participant commented.

Mr Nigel Lawson, Britain's Chancellor of the Exchequer, who early this month was forced to raise UK borrowing costs to defend sterling, is also understood to have taken the view that governments could not force the pace on interest rates.

Mr Lawson, who hosted the talks, expects to benefit, however, from the general impression being conveyed to financial markets that the trend in international rates is now likely to be down.

In their discussions on exchange rates, the European and Japanese ministers are understood to have said that there should be a pause to allow the present pattern on the markets to consolidate. They insisted, however, that they had set no specific target for the dollar's value against other currencies.

Mr Baker was said to be anxious that the 10 per cent depreciation of the US currency since the September meeting had had no discernible impact on the widening US trade deficit.

Both Japan and West Germany, however, suggested that the Washington Administration should be patient since the benefits of currency devaluations traditionally take around 18 months to fully show through.

Those two countries also rejected calls from Mr Baker to give a fiscal boost to their economies. The Bonn Government argued that the pace of its recovery had already quickened, while Mr Noboru Takeshita, Japan's Finance Minister, said he was still hopeful of 4 per cent economic growth in Japan this year.

One of the reasons militating against further action to drive down the value of the dollar is understood to have been France's determination to avoid a devaluation of its currency in the European Monetary System ahead of general elections in March.

Both France and West Germany were said to have agreed that there was no need for any immediate realignment of currencies in the system.

The US made clear, however, that it was still looking for further reductions in the dollar's value over time.

Nicholas Colchester writes: The Japanese Government is reviewing the future of its system of tax incentives for savings. Mr Noboru Takeshita, the Japanese Finance Minister, said in London yesterday that the incentives were becoming a problem for Japan.

Speaking after the Group of Five finance ministers' meeting, he said he hoped to have the result of the review by the autumn. This could lead to concrete measures some time in 1987.

Mr Takeshita explained that the incentive – whereby interest income on small savings accounts of up to the equivalent of $15,000 is tax free – had a long tradition in Japan and was perhaps one reason why Japan has been able to reconstruct its post-war economy so successfully. Now, however, it was a problem, he said.

He was apparently referring to the way Japan's high savings ratio reduces domestic consumption and contributes to the country's high current account surplus.

Japan is under some international pressure to reflate its economy but Mr Takeshita explained that his Government hoped to achieve this through "private sector vitality and deregulation" rather than through reflation by means of more government spending.

The minister said he was still hopeful that his Government's forecast of 4 per cent real growth in the Japanese gross national product in the year beginning April 1986 could be achieved.

Coffee talks set for clash on quotas

By Andrew Gowers in London

OFFICIALS from coffee-producing and consuming countries gather in London today to consider the consequences of the recent boom in coffee prices, the biggest for more than eight years.

The London futures market rose above £3,000 about two weeks ago, its highest level since 1977, although it has dropped sharply since. However, coffee for March delivery closed on Friday at about £2,417.50 ($3,469) still 50 per cent higher than the level at the beginning of October, just before the price rise began.

The rally stems from a continuing drought in key coffee-growing areas of Brazil, which in normal years is the largest producer, accounting for 30 per cent of world exports. According to a recent estimate by the Brazilian Coffee Institute, that is expected to halve the 1986 coffee crop from last year's revised level of 32.8m bags, thus creating a probable shortage of top-quality arabica coffees.

As a result of the price rise, the 50 producing countries are earning billions of dollars in valuable extra foreign exchange this year. Those other than Brazil are gearing themselves up to boost exports, and the Brazilians – for whom coffee is still the number one export earner – are concerned at the prospect of losing market share.

Today's meeting involves the 16 members of the International Coffee Organisation's Executive Board – eight from producing countries and eight from consuming states. The ICO administers the International Coffee Agreement, which aims to regulate prices by setting tight controls on members' exports, accounting for almost all the world's production.

The officials will consider a proposal by Colombia, the second largest producer, and African exporters that the ICO's export quota system should be suspended immediately, which might in theory release more coffee on to the market and dampen price speculation.

The advocates of that plan say they are worried that the ICO has lost control, and that the price rise might threaten the coffee pact as a whole.

In any case, however, quotas are due to lapse under ICO rules on February 18, as a result of the price increase.

Some consumers will argue this week that suspending quotas straight away would set a bad precedent, because producers would be able to argue for an early reimposition of controls when prices start coming down.

Traders see export quotas as virtually irrelevant now, in that producers are exporting as much as they can sell and ship to take advantage of the high prices, although speculation that controls will be lifted this week has been one of the factors behind recent price falls.

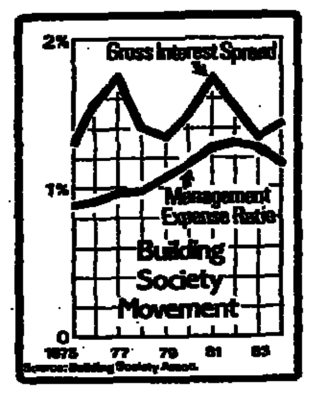
The other main topic on this week's agenda will be how much of the elaborate administrative machinery that enforces ICO rules to retain when quotas are suspended. Producers are keen to keep as much as possible in place, which would enable a swift reimposition of quotas if prices crash. But many consumers want only the bare minimum of controls. That would save work for their customs authorities, and free traders from onerous bureaucratic controls.

There is also likely to be much discussion in the corridors of the meeting over a probable battle for market share among other exporters stemming from the drop in Brazilian output.

Colombia and most other producers are keen to maximise their sales with a view to obtaining higher export quotas when they are renegotiated either later this year or in 1987.

THE LEX COLUMN

Not so high societies



The Building Societies Bill, now before Parliament, is not intended to sound the death knell over a movement which has existed for well over a century. But in attempting to regulate a process of rapid change, the Bill may offer too little to protect the societies from the competition stalking the High Streets of provincial towns.

The Bill opens the way for societies to rebuild their interest margins through excursions into unsecured lending; but the balance-sheet limits are so tight as to exclude all but the largest societies from this avenue. Meanwhile, they have been provided with such defences against being dragged into the corporate sector or taken over, that some managements could barricade themselves into a mutual society ghetto until it falls around their members' ears.

Not all societies, let alone the Treasury, would agree with a racy but learned study of the movement, to be published later this week by the stockbrokers Quilter Goodison, prophesying nothing short of Armageddon. But the outlook is not good. As the chart shows, the societies have so bid up the cost of retail deposits in competition with the banks that the margin over their expenses has worn thin. The heavy investment in advertising, cash machines and so on does not suggest that expense ratios will fall. And there is no reason to believe competition for retail deposits will abate.

The societies have had increasing recourse to the wholesale market, to the tune of 5.5 per cent of their funds at the end of last year and of 10 per cent or more for this year. However, the surplus of mortgage over money-market rates is by no means as set in rock as, say, the more optimistic investors in the National Home Loans Corporation might hope. Indeed, the mismatch in rates will be the less likely to survive as building societies become more reliant on the money markets. Meanwhile, the increasing use of liquid sources to fund highly illiquid assets would cloud the market's view of building-society risk long before a downturn in the housing market crystallised the movement's growing, if still negligible, bad debt experience into losses.

As it is, the Bill, which insists that only friendly societies should enjoy the relatively friendly environment of regulation, limits the movement at first to 20 per cent of its funds from wholesale sources. In these circumstances there is a danger that the movement, which produced a 0.66 per cent return on average assets in 1984, could be writing its basic business at a loss like the proudest composite insurer.

This would leave the societies dependent on their non-interest income. Household insurance commissions will go on providing a useful source of profit so long as they ratchet up with house-price inflation; but there seems no reason why the life companies should go on acting as mere passive providers of commission income on endowment policies, as the societies' captive market for the public's most important single liability splits apart. As for the societies' profits from trading in gilt-edged, these have been sandbagged by taxation and many arbitrage opportunities have receded out of reach.

Many societies are looking forward to the Bill's wider lending powers as a way out of their dilemma. Indeed, if the societies were able to write their unsecured lending business – even at only 5 per cent of total advances – on the same 1 per cent expense ratio, the effect on profitability would be dramatic: Quilter believes that the switch to a business with a 5 per cent gross interest spread could double operating income.

However, even if a secondary market in mortgages permits the societies to juggle their asset mix easily, a competitive entry into unsecured lending would require a business with a large asset base, experience of handling bad debts and economies of scale – in effect, the top five societies.

Of course, it is only history that orders that a single institution should originate, service and own mortgages; and there must surely be a role for societies in managing variable-rate sterling assets for those institutions that want them. Even so, there are likely to be many societies for whom the friendly-society environment becomes intolerable. Societies of the same size will no doubt merge in the manner of neighbouring football clubs as crowd attendance falls. The barrier to takeover of the small by the large – a vote of 20 per cent of all members is needed – may only seem insuperable because it has never been tested; but turnouts at building-society polls make a wet municipal election day look like a street carnival.

The alternative of acquisition after incorporation seems no alternative at all: the levels of approval required could well make the Westland reconstruction a simple affair. And it is hard to imagine the likes of Citibank leading a society lamblike to the market and then waiting five years for its branch network, the equity in which might scarcely be worth waiting for.

Guinness/DCL

The Guinness management must have received a nasty shock when its own acquisition of Bells was so immediately succeeded by the Argyll bid for Distillers. What more awful misjudgment than to pay up for a second-rank whisky producer just before the slumbering industry leader is shaken into competitive activity – whether by the actual arrival of Mr Gulliver or by the mere threat?

To say the least, Guinness must since have wondered whether it bought the wrong company. With that background, there could be no more enticing suggestion than that Guinness be invited in by DCL to play the role of White Horse.

Guinness may well argue that a cashless and amicable merger at around 600p a share is better for its shareholders than a contested cash bid for DCL at half the price. Having seen Argyll throw itself into softening up DCL's defences, Guinness would doubtless think it a rare joke to do the deal instead. Acceptance of this challenge would appear to leave the Guinness/DCL combine with about as great a dominance of the whisky market as DCL had in its prime, a malt-monopolist with an unchallengeable share of the blended brands. However relaxed the current state of merger policy, this is a dram on which the Office of Fair Trading must surely gag.

World Weather

[illegible]		

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Rebels claim victory in S. Yemen

Continued from Page 1

meeting at the Soviet Embassy in Aden had agreed on a ceasefire.

However a convoy of lorries carrying a force of about 300 Palestinian guerillas proposed by North Yemen's President Ali Abdullah Saleh as a peace-keeping force, was not permitted to cross the border.

Continuing Soviet anxiety was evident from the broadcast of a third appeal by Mr Abu Bakr al Attas, the Premier, and Mr Abdul-Aziz Abdo al Dali, Foreign Minister, for an end to the fighting.

"The ceasing of bloodshed is now a requirement of national interest and its fulfilment cannot be delayed," they said in an address reported by Tass and apparently directed at the rebels who staged the coup attempt a week ago – when both ministers were in New Dehli.

"Today as never before, with all decisiveness, we demand that the progressive regime be saved, the regime for whose creation our people made huge sacrifices," they said.

Earlier Aden Radio broadcasts had expressed the support of the PDRY armed forces for Abdul Fattah Ismail, the doctrinaire communist, who only returned to Aden around a year ago from exile in Moscow before regaining a place on the politburo.

A week ago when the station was under loyalist control, the government said that Abdul Fattah had been executed with Brigadier Ali Ahmed Nasser Antar, a former defence minister, and two other ranking members of YSP.

Diplomatic observers in the Gulf and London were sceptical about the significance of the expressed support for the man who has undoubtedly been the biggest threat to Ali Mohammed Nasser and was ousted by him nearly six years ago.

It now seems likely that an inter-party putsch triggered off an uprising by the bulk of the armed forces, including Air Force and Navy units, backed by tribes from the hinterland.

Brigadier Antar has also been reported to have wounded Ali Nasser Mohammed at the outset, before being killed himself. He, however, could well have been the prime mover and co-opted Abdul Fattah Ismail to give the uprising an ideological colouring calculated to appeal to Moscow.

"Animosity against the president has been the unifying force among otherwise unlikely bed fellows," Mr Finn Bergstrand, Swedish Ambassador, to the PDRY, was quoted as saying in Djibouti, where he sought refuge.

SECTION III
FINANCIAL TIMES SURVEY

Spain's entry into the EEC highlights the country's remarkable political transition from dictatorship to democracy and its progress towards a modern economy based on manufacturing and services.

SPAIN AND THE EEC

Breaking bonds of insularity

By David White

THE ROAD to the airport was cobbled. In the centre of town, garbage collection was done by gypsies with horse and cart. That was Madrid 30 years ago. A Portuguese tended to look on Spain as a poorer neighbour.

Now the road to the airport is a congested six-lane highway, and the night-time municipal garbage service is a dazzling example of efficiency. Ordinary people earn about twice what they do in Lisbon.

Spain has altered in more ways than its switch from dictatorship to democracy. Indeed, the ease with which this switch has taken place cannot be properly understood except in the context of the country's economic development and the emergence during the Franco era of a large middle class. In the combination of changes—economic, social (take as an example the sharp decline in the birth-rate) and political—no other country in Western Europe has been through quite such a momentous transformation in modern times.

Throughout most of this period—24 years, starting from Spain's first approaches to Brussels—its main aspiration in the world has been to join the EEC. As long as General Franco survived this was out of the question. Since his death it has taken a long 10 years to achieve. Membership of the EEC is therefore a kind of consummation, both of Spain's remarkable political transition and of its progress towards a modern economy based on manufacturing and services.

It is still, of course, a place of contrasts. You do not have to go far from Madrid—even out along that same airport road in the direction of Barcelona—to return to the world of the mule or the ox-waggon. In villages of the verdant north-west, while Spain was waiting to join the Common Market they were still waiting for electric current.

In the EEC, Spain is an in-between country, poorer than its continental neighbours to the north but richer and more industrially developed than Greece or Portugal. As Mr Francesc Granell, a Catalan economist, perceptively points out, Spain looks like a developing country if you consider its exports to the developed world, and like a developed country if you consider its exports to the developing world.

By its population and the size of its economy, it holds fifth rank in the EEC, by area second, and in three problematical respects first—the size of its fishing fleet, the extent of its vineyards, and its rate of unemployment.

EEC accession, backed by everyone in Spain from Conservatives to Communists, may be the "breadth of fresh air" the community has been gasping for, but it cannot be expected to be trouble-free either for Spain or for its 11 partners. Some of the more fervent Europeans in the old Community see enlargement as moving it further away from its original purpose.

The closing months of last year brought the turning of a page in Spain; a decade since the Franco era (missed, according to a recent magazine poll, by only 12 per cent of today's Spaniards) came to an end and King Juan Carlos assumed his throne. This year has opened in a more forward-looking mood, but not without its anxieties.

EEC membership was so long in coming that the actual entry date, almost seven years after the start of official negotiations, was something of an anti-climax. The EEC's flags flew on the streets at the new year, but there was no special celebration. The message is being brought home to Spaniards that they will get little out of Europe except through their own efforts. The effects of entry, positive or negative, will mostly be gradual, and the only one to have hit people's consciousness in the first weeks has also hit their pockets—the start up, in an atmosphere of generalised confusion, or value-added tax.

In order to capitalise on having achieved Spain's better-late-than-never admission to the EEC, Mr Felipe Gonzalez's Socialist Government will be keen to parade the visible benefits of membership, such as regional aid. But there is a risk that the tide of opinion will turn and that, as happened in Britain, or Denmark, or Greece, anything that goes wrong will come to be blamed on the EEC.

The first impact of the Common Market coincides with a heavy political calendar. Four ballot-box encounters are scheduled this year: a referendum in March on whether to stay in Nato, elections in Andalucia, the region which served four years ago as the Socialists' springboard to power, elections to the European Parliament, and general elections in the autumn if not before.

The Government also has a busy foreign affairs agenda: Its EEC debut, the Nato issue, negotiations on cutting back US bases in Spain, normalisation of relations with Israel, and further talks with Britain on the sovereignty of Gibraltar.

Nato, which Mr Gonzalez opposed joining when in opposition, but where he now argues Spain must stay, is his biggest hurdle. He has stood by his promise of a referendum on the grounds that not only the Government, but also its democratic institutions, would risk losing credibility if he backed down on it. But this risk is set against a much greater one if he loses the vote. Mr Gonzalez is gambling on being able to appeal to the reason of a country where a majority is inclined to neutralism.

By now, he appears to have burnt his boats and is committed to holding the vote. On the basis it has laid down—a special position in Nato outside the military command structure, with a reduced US military presence and with a rigid ban on nuclear weapons on Spanish territory—the Government is apparently confident it can win a "yes" for the alliance.

Reluctantly, Mr Gonzaléz has given a clear pledge that the Government will pull out of Nato if this is voted for, even though the constitution makes a referendum non-binding. In order to avoid massive abstentions—and the pro-Nato Right has already said it will call on supporters to stay away—he had no choice.

However, the vote will in reality be less on the Nato issue itself than on whether the country really wants to upset—or unseat—Mr Gonzalez. Because of the weakness of the Opposition, the referendum provides the only threat to his continuing in office as his government comes to the end of its four-year mandate.

The Socialist Party has maintained its dominance even though the popular enthusiasm that greeted its arrival in power has been rapidly deflated.

A sense of disillusionment, or resignation, prevails among many socialist voters, despite a record of managing and restructuring the economy that can be claimed to have been successful on many fronts (except that of alleviating unemployment, now approaching 3m), and despite the pushing through of educational and other controversial reforms.

The Government has also found itself up against entrenched interests in the civil service and the legal system. Excluded from power since the civil war which started 50 years ago this year, the Socialists had hardly anybody in their cabinet with any administrative experience. In order to satisfy bureaucracy, the Government has tended to opt for bureaucratic solutions.

Resistance to change has come as much from these "Corporativista" civilian interests, which dug themselves in under the Franco regime, as from the military. And although the latter has attracted most of the attention, the former has proved the less easy to bend.

The armed forces, in the process of being trimmed, reorganised and re-equipped, have turned out not so unadaptable after all. The per-

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Concern over competitiveness

EEC Entry

DAVID WHITE

"TO A new and prosperous Europe." The toast comes from a Spanish television advertisement shown during the Christmas holiday season for a well-known brand of sparkling wine. There followed scenes of tranquil German villages and London guardsmen, while a choir crooned sweetly in the background about unity and a world without frontiers.

As a message to mark Spanish entry into the Community at the new year, it was both typical and unintentionally ironic.

The idealistic tone is indicative of the enthusiasm and even naivete which has so far characterised Spanish attitudes towards the Common Market. Spain, as has been pointed out many times (but it is worth saying again, as long as it lasts), is the only country to join the Community with a consensus of all political forces, and almost all shades of opinion, in favour of membership.

It is almost unthinkable that an advertiser anywhere in the previous EEC 10, except perhaps in the Benelux countries, would consider linking his product to the image of the Community.

The irony lies in the fact that the bearer of hopeful tidings should be in the sparkling wine business — one sector which has already produced a foretaste of EEC friction. Under a recent Community compromise, Spanish producers, already banned from selling their product as "champagne," will also eventually have to drop the description "methode champenoise" from their labels, by which they show that they follow the painstaking wine-making formula attributed to the worthy Dom Perignon.

The best Spain could obtain in this wrangle was a stay of execution: [illegible] ducers have eight years to get their act together and promote "cava," their own name for champagne-type wine, on its own. But for sherry, which is even more export-oriented, Spain has failed to get the same deal in reverse. Although sherry is just as much a limited geographical term as champagne, the producers of the Jerez region will continue to have to put up with competition from the UK-bottled stuff labelled as "British sherry."

This little saga, which took place in the interim between Spain's treaty-signing in July and the actual enlargement of the EEC, is regarded by some as a sign of how vulnerable Spain is within the Community.

Although the step-by-step integration of Spain is spread over long transition periods — basically seven years for industrial goods and 10 years for farm goods — businessmen in many sectors fear they will be starting at a competitive disadvantage.

Protective tariff barriers against imports from the EEC, which start going down in March, amount to an effective average of about 10 per cent. In sensitive industries such as cars, which successive Spanish governments have been anxious to develop, they are much higher. On the other hand, Spain is felt to be lacking in the non-tariff barriers — norms and so forth—widely employed by other EEC members as a covert form of protection. A sign of moves in this direction is a new set of restrictive norms for video display screens and keyboards, due to be enforced in May against fierce opposition from importers.

The changeover to value-added tax from the moment of entry is equally seen as an initial handicap, particularly since Spain has simultaneously had to axe the tax relief it offered to exporters. This benefit had already been reduced but was still an important advantage for some sectors such as steel and domestic appliances.

The sense of triumph that marked the completion of entry negotiations has made way for concern about EEC realities. This concern embraces almost all economic sectors and—because of the feared inflationary impact and the chaotic first days of VAT—public opinion generally.

It was inevitable, given the strong opposition put up against Spanish entry by southern French farmers, that agriculture should receive the toughest entry terms. The fruit producers of the Mediterranean coastal area complain of having to wait for their market to open, while better facilities are given to non-EEC competitors such as Morocco. The inefficient dairy smallholdings of Spain's rainy north will at the same time be badly hit by competition.

But in the long term Spanish export agriculture, which now accounts for just over a third of the country's farm output, will without doubt be one of the major beneficiaries of EEC enlargement, and new export sectors—such as oilseeds and tobacco—will be added.

Spain's trawler owners, working in the only sector where Spain is clearly number one in the community, have mixed opinions but terms are better than was once expected. The previous system of licence restrictions on Spanish vessels—which add 70 per cent to the total tonnage in the community—is being perpetuated, but catch quotas have been increased.

In industry, the impact is likely to vary from company to company rather than from sector to sector. The Government recognises that the initial challenge will be tough, but refutes alarmist predictions from some manufacturers.

Entry has re-activated a form of immune-deficiency syndrome that Spanish business suffers every time the economy is opened up to greater competition. Alarm was widespread at the time of liberalisation in the late 1950s and equally in 1970 when Spain signed its trade agreement with the EEC. But most sectors reaped considerable benefits in the aftermath of those changes.

However, Spain by now sends half of its exports to the Community, and the tariffs on its goods entering the EEC are already very low (on average about 3 per cent). There is therefore little prospect of sharp gains arising from better export conditions, while Spanish producers will have to face stiff extra competition in their own market, both from the EEC and from third countries.

Although some Spanish producers—from the citrus fruit growers of Valencia to the newest US-owned car factories—are extremely competitive, and although Spanish wages are likely to remain below the EEC average for some time to come, many companies are clearly unprepared to take on the EEC.

In the past couple of years the Socialist Government has pressed ahead with ambitious restructuring programmes ranging from the state-dominated steelmills and shipyards to the widely dispersed textile industry. But the process of adjustment will have to accelerate again if Spain is not to turn into an EEC corporate cemetery.

Foreign investment has been pouring in ahead of industry, both from the EEC (for instance French investment in edible oils) and from Japan and the US, the star turn being the plant which American Telephone and Telegraph is starting to build outside Madrid.

However, although companies have had a profit recovery and are buying more equipment, Spanish business is far from matching this spurt in investment. The authorities now fear that many will fail to undertake the necessary modernisation until the final stage of the transition period.

In the view of Mr Joan Majo, who was promoted from electronics chief to Minister of Industry last summer, Spain has to overcome a handicap it acquired in the 1970s after the onset—somewhat delayed in Spain—of the industrial crisis.

Spain fell behind in improving productivity to compensate for the rise in labour costs, Mr Majo argues. Other European countries faced the same situation, but less gravely than Spain, and repaired it earlier. With sharp wage rises resulting from the re-establishment of free trade unions, labour costs per unit of production continued to rise in Spain up to 1979, well after other European countries had begun to get the better of them.

The EEC requires a rapid adaptation—but Mr Majo believes it will also make that adaptation easier, by bringing Spain into line with the latest technology and by giving Spanish companies the opportunity to increase their degree of specialisation, through closer industrial links with EEC concerns.

Spain also stands to gain from the arrival of more EEC companies and from the lower cost of some imported materials and components.

Other substantial benefits will come from the Community's regional fund. But despite this, experience to date suggests that membership will do little to diminish the gap between rich and poor regions. In fact, the opposite risks being the case. Regional disparities have always been one of Spain's characteristic problems, and look as if they will continue to be.

Profile: Mr Abel Matutes

By David White

Business background an asset

SPAIN'S opposition nominee to the European Commission took a long time being decided, and then came as a surprise.

After weeks of deadlock with the Government on the issue, opposition leader Mr Manuel Fraga was finally forced to give up one of the strongmen of his Popular Alliance Party, the Ibiza businessman Mr Abel Matutes.

Nobody was more surprised than Mr Matutes himself. Mr Fraga was off campaigning for a regional election in Galicia in the middle of November when he called Mr Matutes, the party's chief economy spokesman, to ask him about the job. Mr Matutes replied the following Tuesday, and was appointed on the Wednesday.

The three previous names put forward by Mr Fraga had all been turned down by the Government—especially that of Mr Carlos Robles Piquer, a veteran diplomat who had worked with Mr Fraga under General Franco and married Mr Fraga's sister. Since it was the Franco dictatorship that kept Europe's doors closed to Spain for so many years, it was not thought apt to send someone with a Francoist background to Brussels.

Mr Matutes, at 44, is of a younger generation, and spent the Franco years building up a private business empire in Ibiza, cashing in on the tourist boom. Although he dropped administrative responsibilities in the family bank and other companies when he devoted himself to national politics, Mr Matutes is still "the boss" in the islands of Ibiza and Formentera.

A lawyer and economist, Mr Matutes had become one of the top figures in the Conservative Popular Alliance Party, presiding over its electoral committee. But he now says it is possible he will not return to politics.

His appointment to Brussels was controversial, particularly since there were several rival candidates available with obvious qualifications for the job. However, Mr Felipe Gonzalez, the Prime Minister, was anxious to establish a degree of consensus with the Popular Alliance and agreed to give the post to a nominee of that party rather than other opposition groups from the centre.

Against Mr Matutes's shortage of EEC experience—which was reflected in his first interviews after being named—stands his extensive business background, which he should be able to put to good use in the responsibilities assigned to him in the Commission. These embrace credits, investments and policies for small and medium-sized companies.

He is a believer in the single European market towards which the EEC has pledged to move, but is not totally happy about Spain's transition arrangements.

New Commissioners to the EEC. Mr Abel Matutes (left) and Mr Manuel Marin (right) flank Mr Antonio Cardoso Cunha of Portugal and Mr Jacques Delors, President of the European Community

Profile: Mr Manuel Marin

By David White

Hard bargainer is popular choice

IT IS barely 10 years since a young law graduate from the La Mancha region, during a stay in Brussels, joined the Spanish Socialist Workers' Party.

The party, which was outlawed then, is now in power, and that new recruit is a vice president of the EEC Commission.

In a country where political careers have been rapidly made since the return of democracy, Mr Manuel Marin holds something of a record. Two years after joining the party, he became the youngest deputy in the congress, aged 27. Five years on, when the Socialists won their landslide election victory, he took over in the gracious surroundings of La Trinidad, seat of the Secretary of State for EEC Relations.

In the three years since then his tall, bearded, Moorish-looking figure (which has lost a little of its leanness in the interim) became a familiar one to everyone who followed the endless comings-and-goings of the final entry negotiations. At 36 he is installed as the youngest member of the Brussels Commission, responsible for social affairs, employment, education and training.

It is almost as if he had always headed for this job, since he took his master's degree in community law at Nancy and went on to the College of Europe in Bruges. Certainly, nobody in Spain begrudged him the appointment in the wake of what most people agree was as good an entry treaty as the country could expect.

Although the key talks were headed by Mr Fernando Moran, the Foreign Minister during the final negotiating period, Mr Marin had to do much of the leg-work and keep abreast of details. A hard bargainer, with a clear, legalistic approach, Mr Marin has gained popularity even among the businessmen who he admits are in for a "rather hard" time.

He is anxious that Spaniards should not think of their entry treaty as "a magic recipe," and somewhat concerned that, if the country fails to respond well, public opinion could backfire against the EEC.

Spain negotiated in a defensive spirit. The long transition periods, which were what the talks were mostly about, may turn out to be "excessively comfortable," Mr Marin fears. "I would have wanted more elements of competitivity from the moment of entry," he says.

The risk is that industrialists will put off the necessary adaptation effort to the end of the transition, and do nothing in the first year or two.

It is, he says, like an examination candidate who flunks and applies to sit again in the autumn, but in the end fritters the summer away and is no better prepared. Mr Marin has given a name to this phenomenon—The Syndrome of the September student.

Spaniards, he says, have "a terrible tendency of shrugging off responsibilities and putting them somewhere else."



Left: Rural Galicia, where it is feared EEC entry will have a negative impact on the dairy sector. Centre: Prime Minister Felipe Gonzales, who had been concerned that the autonomous process had got out of hand. Right: Basques sprint away from an advancing police water cannon truck during a day of strikes and violent protests last December

Greater central control re-established by Madrid

Regions

TOM BURNS

A VISITOR travelling across Spain is constantly made aware, thanks to large road signs, that he is "now entering" and "now leaving" one autonomous community or other. And as one sign bids the traveller "welcome" to such and such autonomous community another signals "thanks for your stay." The "Europe of the regions" is a concept that finds an instant echo in Spain, for in less than a decade the country has transformed itself on the map into a "state of autonomies."

Federalism is something of a taboo word in Spain, for it has led to past civil wars and it is therefore not used. But the "state of autonomies" is nothing if not a quasi-federal political and administrative framework. The most profound and complex of all the sweeping changes of post-Franco Spain has been the creation of 17 separate autonomous communities each with its chief minister, its local government, its parliament and its batch of executive and legislative prerogatives.

Some autonomous communities, for example, Andalucia, are geographicaly larger than European Community nations such as Holland and Belgium together; several are more populated than Luxembourg; and Catalonia likes to think that it is wealthier than Greece or Ireland.

Utopian nationalists in the Basque country, or Euskadi, dream about entering the EEC on their own terms and redrawing the map of the 12 into a patchwork of nationalities with the Basques, from either side of the Pyrenees, having a place at the high table.

To a greater or lesser degree the autonomous communities have become European conscious. Some see it in strict terms of regional development handouts and the chance to hoist themselves over the poverty line. Others, certainly the Catalans and also the Basques, see the Community as a vehicle for drawing further away from Madrid and accentuating their differentials, ethnic, cultural and economic, with the rest of Spain.

In Madrid, Europe and the regions is seen differently. The European regional development fund is undoubtedly important but an equivalent bonus is the onset of supra-nationality. A common factor among Spanish Europeanists has been the belief that Community membership was necessary under virtually whatever terms, in order to modernise society. This applies also to the "state of autonomies."

At the most obvious level, European membership allows Madrid to rein in the autonomous communities. To speak out against the autonomous communities is a risky undertaking for any Spanish politician, for it will earn him more brickbats than bouquets. Every community is inordinantly proud of its recently acquired prerogatives and wary of any centralist *encroachment*. With Community membership, the situation has however altered and, in Madrid's terms, it has done so for the better.

Thus Mr Felipe Gonzalez, who has for long been concerned that the autonomous process had gone far enough and was getting out of hand, was able to appear the innocent party when he addressed members of the Senate and chief ministers of no less than 12 different communities last year at a special Upper Chamber session devoted to regional policy.

Other Prime Ministers of candidate nations on the eve of membership have normally soft pedalled the prospect of relinquishing sovereignty to the commission, having due regard for national pride. Mr Gonzalez, however, seemed to relish the situation. He explained to his audience that Brussels would very soon have a large say in Spain's economic affairs and then added with aplomb: "The margin of decision making to which the autonomous communities have become accustomed will be drastically reduced."

In a sense, supranationality means that Madrid, or rather the central Spanish administration, wins back the prerogatives it had so recently handed over to the local autonomous governments. These had only within the past five years acquired the right from Madrid to run, for example, their agricultural and their fishing affairs, and now they have had to give them up to Brussels.

Mr Gonzalez took care to stress that there would not be 17 agricultural and fishing autonomous ministers arguing with the commission since the central Government's Minister would be doing that for them.

European membership, as far as the Spanish state of autonomies is concerned, means both inroads on sovereignty and a re-establishment of central control. The hope of the more far seeing members of the Madrid government is that present strains and stresses between the *central administration* and the autonomous communities will become a thing of the past for it will be all together against Brussels.

In the coming months such hopes will be put to the test. A less optimistic view is that far from imposing a measure of order and homogeneity, EEC legislation will provoke quite the opposite, for it could exacerbate the Madrid-autonomous communities tensions.

Initiatives taken by the Basque government, for example, to support and restructure Basque industry could run counter to EEC guidelines, and may have to be rethought completely. It remains an open question whether the Basque government will blame Brussels or Madrid.

At another level there is some concern over the possibility of bureaucratic chaos setting in. A key justification for the state of autonomies was that *decentralisation*, as well as defusing specifically Basque and Catalan nationalism, would make the administration more efficient. In practise the result has often been an extra mileage of red tape and a general duplication of bureaucratic functions. The argument runs that this trend will be augmented through Community membership.

Where Madrid and the central administration does clearly score is over the distribution of the community's regional development funds. This prerogative of the national Government does grant the Madrid administration *considerable leverage in its* self-appointed task of keeping the autonomous communities on a tight leash.

A feature of the squabbles between the capital and the regions over the past 12 months were constant rows over budget cuts for the financing of the autonomous administrations. With some justification, the latter argued that the tightened purse strings had as much to do with politics as they had with economic austerity. The EEC's regional funds represent added ammunition for Madrid.

Seen from the Commission's point of view, and leaving aside the political impact of Spain's accession on its domestic state of autonomies, it is clear the enlargement poses considerable strains on the regional funding programme. Spain, just as much as Portugal, is not only poor in the European context, it is also, again like Portugal, a peripheral *region in the Community*. The geographic distance from the centres of dense economic activity aggravates the development problems.

This was clear right from the start of Spain's negotiations to join the Community. Using 1977 data it emerged that the GDP per capita in Spain was 54 per cent of the Community's average. Madrid had the highest index which was 71 per cent, and Extremadura — the region bordering Portugal — had the lowest with 33.1 per cent, which put it on a par with the Aegean islands. Overall the problem of regional imbalances in Spain *was somewhere between those* existing in Italy and the Greek and Irish cases.

The regional chapter in Spain's accession negotiations was closed in 1982 and data published then by the Commission showed little variation. Seven Spanish regions or autonomous communities had a per capita GDP which was less than half the Community's average.

The seven singled out were Castilla-La Mancha and Castilla-Leon (that is the entire central plain excluding Madrid which is a separate autonomous community), the Canary Islands, Andalucia, Extremadura, Galicia in the north-west and Murcia in the south east, together these regions represent 70 per cent of Spain's territory and 44 per cent of its population.

The country's experts in 1982 added a further five *regions* (Aragon, Rioja, Cantabria, Asturias and Pais Valenciano) the per capita GDP of which represented between 50-60 per cent of the Community's average, and concluded that Spain's "Mezzogiorno" constituted 12 of its 17 autonomous communities. In contrast with the Italian model, Spain's underdeveloped regions which are clear candidates for priority funds are to be found all over the national territory.

Using subsequent data which pools together GDP indicators with employment statistics, officials at Madrid's Economy *Ministry* established last year that the Canary Islands, Andalucia and Extremadura came *right at the bottom of the Community's* regional ranking. The data was set alongside that of the Community's regions which received development funds in 1983 and, using that model, the officials concluded that the whole of Spain was technically eligible for such handouts.

On that basis, everyone gains in Spain from the EEC. Quite a different matter is the feared negative impact of membership on Galicia's dairy sector, the benefits that Andalucia's agriculture anticipates and the "win something and lose something" attitude that exists, for example, in diversified Catalonia. Broadly, however, membership should not significantly alter the economic pattern of the "State of Autonomies."

Breaking free from bonds of insularity

CONTINUED FROM PAGE ONE

ception of Spain being under an army threat, a democracy on parole, has quietly vanished in the last three years. Spain has become a country of short memories, to the extent that it seems inconceivable that it was only five years ago that civil guards were being televised as they took over the parliament.

In retrospect, it can be said that the *serious* military menace ended with that operetta-like event: First of all, because the army revolt failed, secondly because the burlesque scene in parliament came across as a national disgrace, and thirdly because it made it clear once and for all that nobody could throw over the Government without throwing over the King—who as General Franco's chosen successor enjoys a double legitimacy.

Despite continuing Basque terrorism and the challenge it poses to that most sacred of military precepts, national unity, Spain's political leaders can now say with confidence that democracy is safe.

It is therefore too much to say at this stage that EEC membership was needed to secure democratic government in Spain. The Spanish have done that very well for themselves. But entry does have a key psychological role to play in Spain's transformation.

Spain has been, especially during the four decades of Francoism, and despite the openings to international commerce which have taken place since the late 1950s, a very inward-looking country. For the first time in centuries it is taking an active part in a joint European venture.

The hope is that it will be saying goodbye to a period going well back into the last century in which insularity went hand-in-hand with bitter internal conflict.

Spain and the EEC 4

Inflation could mar honeymoon

The Economy
DAVID WHITE

INFLATION has returned to the forefront of the Spanish Government's concerns as it sets out on its honeymoon with the EEC.

Of the three areas in which membership and the accompanying taxation changes are likely to make an impact in the short term—imports, exports and prices—the biggest headache for the Socialist authorities is the price factor.

The introduction of value-added tax on January 1 produced a fiasco of misinterpretations and abuses. Although some prices should actually come down because of VAT, which replaces an array of indirect taxes already in existence, few have, and the authorities possess a limited range of controlled prices—such as petrol and telephone rates, which have been cut—to play with.

The first months of the year can be expected to bring a spurt in the cost of living index. This coincides with this year's wage rounds, in which the Government is relying on the Socialist UGT trade union federation to maintain a spirit of moderation.

While the UGT, in compliance with its 1984 agreement with the Government and employers, and in contrast to the rival Communist Workers' Commissions, is pitching its demands close to the official inflation target, it is also insisting on revision clauses to catch up if inflation takes off.

Pay agreements, which in 1985 established average increases of about 7.4 per cent, can be expected in any case to be set somewhat higher.

Since 1982, the year the Socialists came to power, inflation has come down from over 14 per cent to 12 per cent in 1983, 9 per cent in 1984, the first single-digit year since before the end of the Franco regime, and about 8 per cent last year—a level which the Government aims to maintain this year.

The administration hopes it can convince the country that the spurt in the early months of this year is only temporary, and that cheaper imports from the EEC will help to counter the trend. But it is up against several unknown factors, including the impact of taxation on the farm sector. Food prices have recently provided the main push to inflation.

Many of the Government's best-laid plans would go awry if it failed in its bid to hold inflation. If it succeeds, on the other hand, it believes Spain is well set for a period of economic growth. Other indicators, senior officials maintain, are better than at any time since the 1970s.

After a depressed first quarter last year—which prompted a mild package of measures to stimulate domestic consumption, including cuts in income tax—demand has picked up. Purchases of industrial equipment have been strong throughout the year. Construction, which had long been in the doldrums, has recovered, and business has reaped higher profits.

However, the private sector still complains about the stubbornly high level of state financing requirements. There are fears that interest rates, which have dropped significantly, could soar again if demand for credit increases and monetary policy remains tight.

Despite the upturn after the summer, growth last year is reckoned to have fallen below 2 per cent. Exports, after an 18 per cent rise in real terms the year before, were flat.

Nevertheless, the balance of payments current account will show a further improvement for last year on the $2bn surplus achieved in 1984 and the figure is expected to increase further this year, aided by the fall in prices for raw material imports.

Spain has taken advantage to make early repayments on its foreign debt, which has fallen well within the $30bn mark reached in 1984, while keeping most of the gains made that year in gold and foreign currency reserves, now standing at close to $15bn.

The foreign balance has produced the biggest change in Spain's economic position in the last few years, with exports favoured by moderate wage settlements and aided by a domestic recession which has forced companies onto foreign markets. At the same time—and in keeping with Spain's tendency to follow international trends some years after the rest—savings on energy purchases have begun to mak ean impact on imports.

Exports, which a year ago were suffering from a rise in the exchange rate of the peseta against the currencies of Spain's main trading partners, are now benefiting from its fall. The decline of the dollar has enabled the authorities to situate the floating peseta between the US currency and those of the EEC.

Last year saw an effective devaluation of about 8 per cent vis-a-vis European partners. Since the dominant share of imports is expressed in dollars and biggest segments of exports in French francs and so forth, this favours Spain in both ways in terms of trade figures.

The Government aims to play on the floating exchange rate and on continued wage moderation to ensure Spanish competivity as protectionist barriers are gradually dismantled under the transition terms of EEC membership.

For an administration which has had to throw overboard its number one election promise—the creation of 800,000 jobs—the most encouraging news was a sharp upturn in the figures for total employment after last summer. According to the quarterly survey done by the National Statistics Institute this left an increase of 38,000 in the first nine months, after a long decline. (Since 1977 the number of Spaniards in employment has fallen by a sixth, or about 2m.)

Officials claim the figures to be evidence of a radical change, demonstrating the success of recent job incentive measures such as six-month contracts, and achieved in a period of modest growth.

On the other hand, because of new arrivals on the market, the unemployment figures are not expected to show any reduction for several years at least. Spain's estimated jobless total of 2.89m at the end of the third-quarter of last year is almost 22 per cent of the total workforce, well above any other EEC country.

An economic pick-up would not necessarily reduce the total, since it may be assumed that more women would join the job market (at present barely one in five Spanish women of working age has a job) and that people would move out of the rural sector, which still accounts for 17 per cent of Spanish employment, as other opportunities open up.

There is therefore little that the Socialists can promise on this front as they face their first election as a ruling party.

However, the Government is hoping for the long-awaited revival in industrial investment will materialise now that Spain is firmly inside the EEC fold.

Medium-term Economic Objectives

(percentage growth rates in real terms)

	1983	1984	1985	1986	1987	1988	1989
Domestic private consumption	+ 0.7	− 0.8	+ 1.0	+ 1.6	+ 2.2	+ 2.8	+ 3.0
Public consumption	+ 4.7	+ 3.0	+ 2.5	+ 0.5	+ 0.8	+ 0.8	+ 1.0
Gross capital formation	− 3.4	− 3.2	+ 4.0	+ 6.0	+ 6.0	+ 5.5	+ 5.0
Internal demand	+ 0.4	− 0.8	+ 1.9	+ 2.3	+ 2.7	+ 3.0	+ 3.1
Exports (goods and services)	+ 3.3	+15.4	+ 2.0	+ 5.0	+ 6.5	+ 7.5	+ 6.0
Imports (goods and services)	− 0.3	+ 1.0	+ 2.5	+ 4.5	+ 4.5	+ 6.0	+ 5.0
Gross domestic product	+ 2.1	+ 2.2	+ 1.9	+ 2.5	+ 3.2	+ 3.5	+ 3.5
Consumer prices	+12.2	+ 9.0	+ 8.0	+ 8.0	+ 6.5	+ 5.5	+ 4.5

Quality and productivity a priority

Exports
WILLIAM CHISLETT

MEMBERSHIP of the EEC is presenting Spain with a great challenge to build upon its export success and become a fully fledged exporting nation.

It is estimated that Spanish tariff disarmament and acceptance of common external tariffs will cut the protection enjoyed by Spanish industry—currently around 10 per cent—by half in the next three years.

At the same time the introduction of VAT and the ending of tax relief on exports will have an immediate impact on Spanish competitiveness. As a result Spain's trade surplus with the EEC—which already takes over half of Spain's total exports—is likely to be reversed.

International reserves, however, are in a strong position and are able to cushion an upset in trade from increased EEC imports.

Spain will not be able to offset the expected upsurge in imports from the EEC with greater access to the Community's markets, at least in the short term. Spanish exports to the EEC already enjoy preferential conditions and the tariffs for the dynamic fruit and vegetable sectors will not be lowered until 1990.

The challenge for Spain is to improve the quality of its exports and raise productivity which in many sectors is reckoned to be as much as 20 per cent behind EEC standards. Despite the recent export success (real growth of 15.4 per cent in 1984), exports still only contribute about 16 per cent of GDP compared with the OECD average of 22 per cent.

"We have to get a made-in-Spain image," says Mr Luis de Velasco, the secretary of state for trade, who has worked most of his professional life in commerce. "We can no longer afford a stop go, stop go cycle where we boost exports when domestic demand is down."

Exports rose sharply in 1984, after the peseta was devalued and producers were forced to seek overseas markets to compensate for the depressed market at home.

Exports in the first 10 months of 1985 rose 6.9 per cent to Pta 3,278bn ($19bn) and imports were up 19.4 per cent at Pta 4,104bn. The export boom has tailed off, but still 80 per cent of imports are covered by exports, a high ratio by international standards.

The export boom, which has pushed the current account into surplus and been the main impetus behind sluggish economic growth, ran out of steam in the middle of last year. Receipts for the first half were down 10 per cent in dollar terms, reversing the dynamic 1984 trend.

This mainly reflected the loss in competitiveness against EEC trading partners as a result of the peseta's relative strength. Since then the authorities have let the peseta float down to more competitive levels against the main EEC currencies. In dollar terms exports were down 2 per cent in the first 10 months of 1985.

With EEC imports set to grow at a faster rate than Spanish exports to the Community, businessmen are becoming nervous.

EEC sales to Spain represented 35.3 per cent of imports compared with 32 per cent in the first nine months of 1984. In the same period the EEC took 51.1 per cent of total Spanish exports compared with 48.3 per cent in 1984.

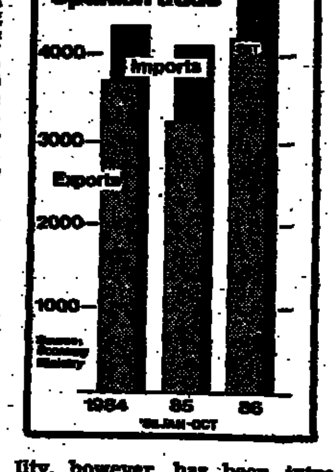
Probably the commonest complaint from businessmen these days is that their efforts to become more productive are being hampered by the rigid labour laws which make it expensive to shed labour.

"How can we compete with Europe when we are at a disadvantage with our competitors on matters like this," says Mr José Garcia Morales, the international relations director for the CEOE, the private sector organisation.

According to the CEOE, it is three to four times more expensive for a Spanish employer to shed labour than his counterparts in Europe. The only circumstance which permits collective dismissals in Spain is when a company declares a suspension of payments, which is a form of temporary receivership allowing a moratorium on all payments.

This situation is a legacy of the paternalistic Franco régime when trade unions' political rights were squashed and to some extent bought off with economic benefits.

Socialist officials may privately sympathise with the businessmen, but politically the Government believes it cannot thoroughly liberalise the labour laws without falling off the tightrope it is already walking with trade unions over the highest unemployment rate in Western Europe. Some flexibility, however, has been introduced with temporary labour contracts.



The private sector's social security contributions are also proportionately higher than the EEC average.

Senior Government officials respond to these perennial complaints by pointing out that businessmen have still done very well from Socialist policies. Company profits have greatly improved, thanks to the 1 per cent decline in real wages in 1984, no gains last year and the beneficial exchange rate for exporters.

The International Monetary Fund noted in its appraisal of the Spanish economy last year that historically "the erosion of productive capacity in the private sector reflected to a large extent the tendency of wage increases to outrun productive growth beyond what the enterprise sector could sustain."

The IMF congratulated the Government for "the shift over the past several years from the expectation that wage awards must be positive in real terms to the acceptance of declines in real wages." But it warned that this achievement could be undermined by "the reinsertion of indexation clauses in the majority of wage contracts—just at a time when other countries' reliance on indexation clauses is being reduced."

Exporters are beginning to find new markets, aided by a more active Government campaign to promote overseas sales. Spain's institute for promoting exports (INFE) started last year to finance consortiums of small and medium-sized companies which get together to export a common product. "Some companies do not even have a telex," said Mr José Ignacio Garcia Blanco, the institute's director.

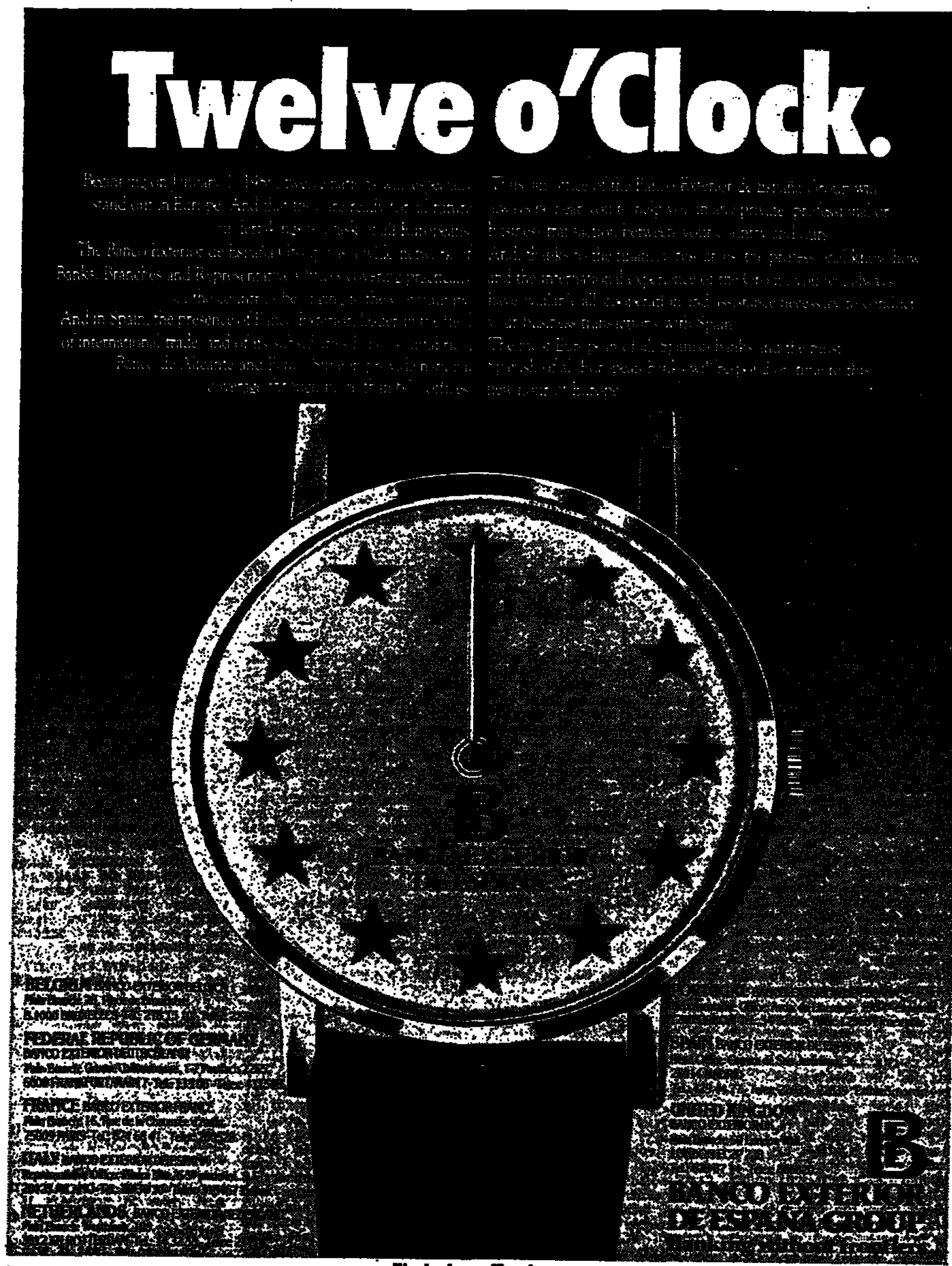
INFE's budget is small compared with that of its competitors. The CEOE has asked the Government to dedicate 1 per cent of total exports to promote overseas sales—which would give the institute above five times last year's budget of Pta 7bn.

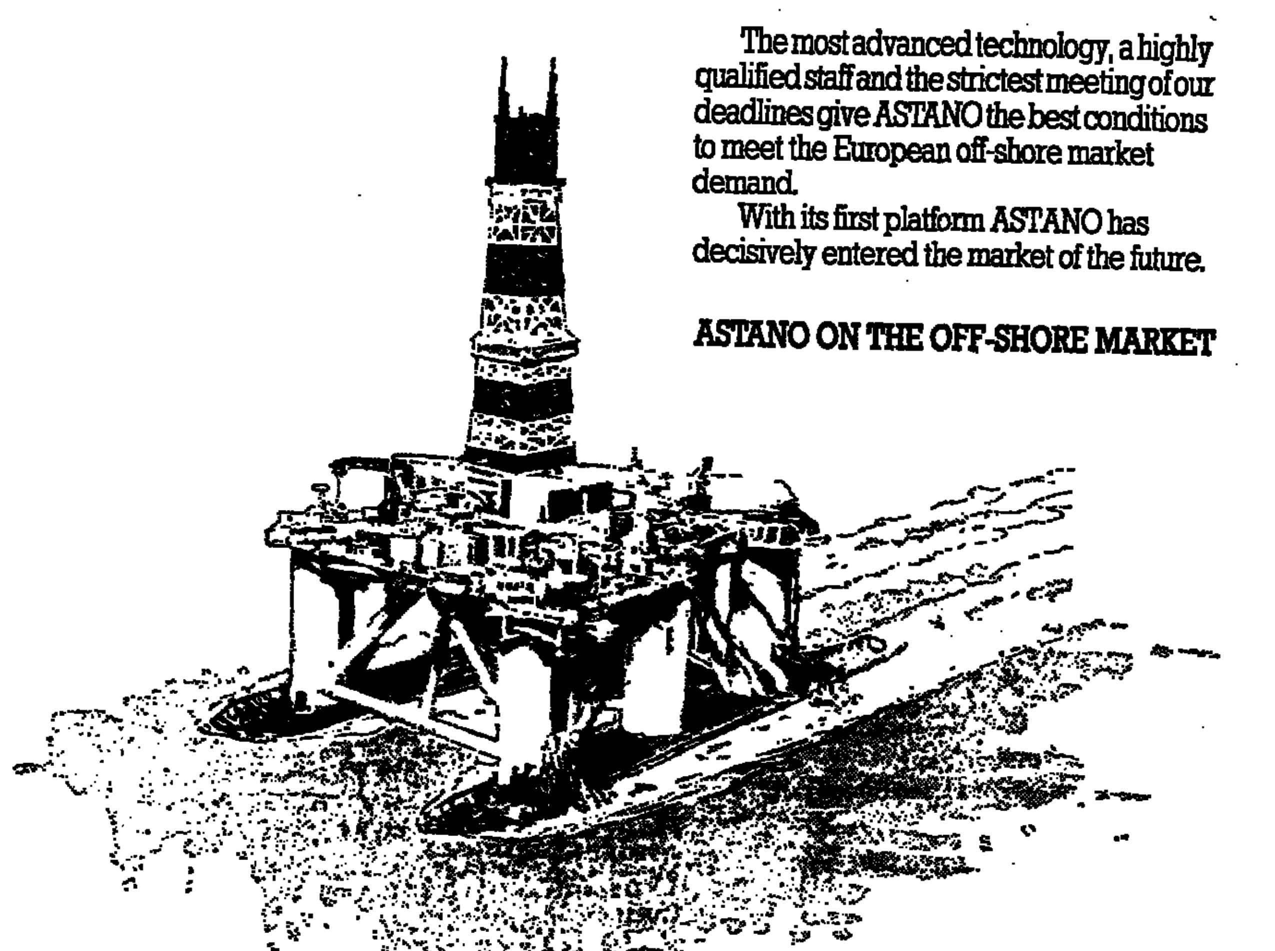
The CEOE says the Spanish treasury could fund this at no net loss to its receipts by using the money it will save from no longer giving tax relief to exporters.

"When the Austrian wine scandal broke, the Government should have pulled out all the stops to promote Spanish wine," says Mr José Luis Plaza Arnaiz, the CEOE's export promotion director. "But it did nothing."

Notable successes have been scored in China, a country which is receptive to Spain's medium level technology. Exports to China, which Prime Minister Felipe Gonzalez visited last year with a team of businessmen, grew — from a tiny base—230 per cent to Pta 64bn in the first nine months of 1985. Three contracts worth some $385m are also going ahead to build a petrol refinery, a cement project and a fruit processing plant.

Trade with Algeria (a market worth $700m in 1982) is also picking up again after the resolution of a dispute over Spanish imports of Algerian natural gas.





Spain and the EEC 5

Regional poll indicates struggle to be faced

The Opposition
TOM BURNS

FOR WHAT seemed like weeks and months last year Mr Manuel Fraga Iribarne trod his home turf and pressed the flesh of his fellow Galicians. In his dynamic style the leader of Spain's conservative opposition made an all-out attempt to sweep the board in the north-western region's elections. However, the November poll was a sombre indicator of the huge task Mr Fraga faces in his bid to unseat the Prime Minister, Felipe Gonzalez, in the national elections later this year.

Mr Fraga treated the elections in the rural and backward regions as a personal plebiscite. In the event Coalicion Democratica won but the voters failed to give Spain's best-known Gallego the outright victory he had asked for. The conservative coalition obtained 34 seats in Galicia's 71-member parliament which was at least two short of what Mr Fraga sought.

Worse still for the conservative leader, the socialists, who fielded a little-known candidate, gained second place with an increased share of the vote compared to the 1981 regional polls. To add insult to injury, centrist political options — which most pundits had written off following their annihilation in the 1982 general elections that swept the socialists to power and earned Mr Fraga the opposition slot — raised their head again thanks to a strong showing by a local group, Coalicion Galega.

Immediately after the Galician polls the opposition launched its Fraga '86 campaign. The billboards and the slogans had been well prepared in advance such was the Coalicion Democratica's certainty that Galicia would prove to be a spectacular primary triumph.

In the wake of the results the campaign inevitably had a hollow ring to it. If Mr Fraga had failed to win convincingly in his own fiefdom (he is often compared to West Germany's Franz Josef Strauss and Galicia to Bavaria) then what hopes could he entertain at a national level?

Galicia apart, opinion polls over the past 12 months have shown a consistent and commanding socialist lead. The popularity of Felipe Gonzalez has scarcely dipped during his period of office. The PSOE grip appears unassailable as it continues to outscore Coalicion Democratica by a two to one margin.

The fact that Mr Fraga continues to lead the conservative opposition underlines the dilemma that Spain's Right-wing faces. The vigorous leadership of the 63-year-old former Francoist minister and former ambassador in London is at once both Coalicion Democratica's greatest asset and its most severe handicap.

Mr Fraga towers head and shoulders above other conservative politicians but his vehement political style, as much as his political past, has a decidedly negative impact on the middle of the road Spanish voter.

There is a bevy of conservative politicians waiting to inherit Mr Fraga's mantle. It includes Mr Alfonso Osorio, a former deputy prime minister in post-Franco Centre Party governments, Mr Miguel Herrero de Minon, also a former centrist, and Mr Oscar Alzaga, leader of the Christian Democrat Partido Democrata Popular, which is the junior partner in Coalicion Democratica.

However, these different ambitions are in cold storage until after this year's general elections and the all but inevitable renewed mandate for Mr Gonzalez.

None of Mr Fraga's potential heirs in the conservative ranks can match the present leader's undisputed hold over the Right wing. All of them share, in contrast, a belief that Coalicion Democratica must broaden its pitch toward the centre if it is ever to approach gaining office.

The Galician election result and the opinion polls alike demonstrate that there is a middle ground in Spanish politics between the PSOE and the conservative coalition dominated by Mr Fraga's Rightist Alianza Popular.

The centre option is being specifically wooed, with different nuances of Centre Left and Centre Right, by former prime minister Mr Adolfo Suarez and by Mr Miguel Roca, the spokesman for the Catalan nationalists in the Madrid parliament. Both men believe they have the chance of forcing a hung result in the forthcoming elections and of creating a new government majority.

Mr Suarez is determined to make a political comeback and he claims that he has come to the end of what Spanish commentators have labelled the former premier's "crossing of the desert." Mr Suarez resigned unexpectedly as prime minister in 1981, subsequently broke with Union de Centro Democratico (UCD) that he had helped to create and ended up running a virtually solo campaign in the 1982 elections at the head of the tiny Centro Democratico Social (CDS).

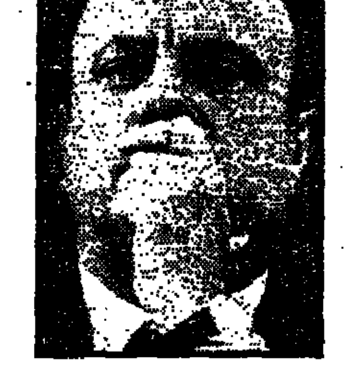
What Mr Suarez lacks in terms of political organisation and funds he makes up for with his own charisma and his record as the reforming prime minister of the post-Franco period who ushered in a democratic constitution and national consensus.

His populist platform seeks to attract the disenchanted PSOE voter and over the past year polls have shown the CDS to be hovering around the 10 per cent mark.

Mr Roca has a strong political base in Catalonia where the moderate Convergencia I Unio nationalists are the dominant political party. In the Madrid parliament Mr Roca has made a name for himself as a potential national leader who appeals to a European-minded middle class which has little, if any, affinity with ultramontane Spanish conservatism and has ceased to have any confidence in the PSOE's ability to modernise society.

Over the last two years Mr Roca has had mixed fortunes in an attempt to weld together a third force party called the Partido Reformista which is more generally, and more accurately, known as the "Operacion Roca," for the as-yet electorally untried new party is little more than a vehicle to promote the Catalan politician.

The Galician elections nevertheless provided a strong boost for Mr Roca's ambitions as he unstintingly supported Coalicion Galega which proved itself to be an attractive option for voters and a clear alternative to the PSOE and to Mr Fraga's Coalicion Democratica. Mr Roca's blueprint for power involves federating Coalicion Galega, his own Catalan Convergencia I Unio and a sprinkling of Partido Reformista candidates into a credible liberal alternative at a national level.


Mr Manuel Fraga Iribarne, leader of the Opposition

Mr Suarez fared badly in the Galician polls where the CDS failed to have a single member elected to the local parliament. This was due to the lacklustre candidate Mr Suarez chose to represent his party in Galicia and to the small on-the-ground organisation of the CDS in the region.

The Galician elections nevertheless allowed Mr Suarez valuable exposure on national television and in the context of general elections his CDS party is considerably better positioned than Mr Roca's Partido Reformista venture.

On paper, a consequence of the Galician elections should be an alliance between the two centrist groups that would leave the field clear for Coalicion Galega and Convergencia I Unio in their respective regions and allow the CDS to hold sway elsewhere.

However, attempts to bring about an understanding between the former prime minister and the Catalan politician have so far proved to be stillborn.

The chief obstacle to a unified centrist platform is that whereas Mr Suarez is Left-leaning and aims to steal voters away from the PSOE, Mr Roca represents the Centre Right. The former prime minister is distrusted by the conservatives while Mr Roca is actively courted by Mr Fraga's heirs apparent.

One scenario that could emerge after the dust has settled on this year's elections is a new conservative leadership making common purpose with Mr Roca's supporters and a somewhat less powerful PSOE thanks to a CDS toehold in the Centre Left. This at least would be a start towards breaking down the present socialist hegemony.

Policy seeks to strike balance

Agriculture
WILLIAM CHISLETT

THE dynamic exporters of oranges from Valencia are upset that restrictions on their exports to the EEC will remain in force until 1990, although Spain became a member of the Community this month. The many inefficient dairy farmers of Galicia, in verdant northern Spain, are living in fear of being washed away by imports of French milk.

Spain does not fit easily into the common agricultural policy (CAP) and for this reason the country has a two-pronged transitional arrangement with the EEC: the classical seven-year period for products like milk, meat and cereals, with very limited imports during the first four years, and a 10-year period for oils, fats, fruit and vegetables whose EEC tariffs will remain unchanged for four years. Unlike the rest of the economy farming will not be subject to EEC rules until March 1.

Spain is a burgeoning agricultural power. Already more than 55 per cent of agricultural exports go to the EEC, which makes Spain the biggest exporter of farm produce to the Community after the US and Brazil. The overturning and blocking of Spanish lorries by French farmers underlined the fears of competition which Spain provokes.

Spain farms an area equal to one-third of the combined farmland of the 10 (now 12) EEC countries. It is the world's main producer of olive oils (with which the EEC is already glutted), the fourth biggest of dried fruit and almonds and the sixth in citrus fruit. Spain is also a significant producer of wine—in which the EEC is also awash.

Mr Jordi Carbonell, an under-secretary in the ministry of agriculture and one of the Spanish negotiators on the EEC entry, said, a "balanced agreement" was reached in order to cushion the shock of Spain's entry. The modern, successful fruit and vegetable exporters, which are feared by European farmers, had been "sacrificed" in the medium term in order to help the weaker Spanish sectors like milk in the short term.

There is also a standstill on Spain's fishing deal with the EEC. Licensing arrangements will continue for 10 years and Spain with its enormous fleet is still excluded from the Irish box, a rich fishing area.

But while Spanish agriculture is big it is not very productive. Agriculture, along with fishing, employs about 18 per cent of the labour force — proportionately more than twice as many workers as the EEC average—and accounts for 6.8 per cent of gross domestic product (GDP).

Agriculture has been in the doldrums because of years of drought. In 1984, with the drought over, food output rose 8.7 per cent in real terms. This was sustained last year when the sector grew by around 2.5 per cent in real terms, in spite of some severe frost. Spain has traditionally run a deficit because of large imports of maize, but for the past two years the sector has been in surplus.

In the first nine months of 1985 food exports were down 2.3 per cent at Pta 443.1bn and imports decreased almost 1 per cent to Pta 415.4bn. Farm output is now outstripping consumption.

It is the labour-intensive milk-producing areas of Galicia, the Basque country and Asturias which are causing the most concern.

The Institute of Economic Studies, which prepared a report on the impact of EEC entry on agriculture, believes that four years will not be enough to bring about the necessary structural changes to enable the milk sector to survive competition from Continental milk, dairy and beef products.

As a result, when quotas are lifted, France is likely to capture a large slice of the Spanish milk market. Many of the people in this sector have passed retirement age and prefer to cling to their tiny family plots rather than form more efficient co-operatives where quality can be increased.

Spain has also been assigned a milk quota of 5.4m tonnes which, if respected, would prejudice any hopes of expansion.

In wine, producers will get guaranteed EEC prices—which are considerably higher than Spain's — for no more than the equivalent of 27.5m hectolitres of table wine. Of that, 23.7m can be sold as wine and the rest will be distilled into alcohol. This quota is roughly equivalent to production in a normal year, so no dramatic cut should have to take place.

The better-quality wines under the controlled denominations of origin, which are equivalent to the French system of appellations controlées, will not be affected, although some of them in the future could be reclassified as table wines.

Spain will however be affected by the restriction on the champagne name. France will be the only country allowed to market champagne or anything referring to the famous region of sparkling wine after 1993.

Spain exports a substantial quantity of sparkling wine under the label "methode champenoise." It will be able to sell its sparkling wines to non-EEC countries with the champagne reference. But, to the anger of Spanish sherry producers, the terms British sherry and Cyprus sherry will continue in use in the EEC until 1995.

Mr Carbonell stressed that Spain has for a number of years taken a tough stance towards its wine producers in order to avoid increasing the size of the EEC's wine lake. Wine producers have to sell their excess to the state at lower than market prices — which benefits them since it enables price levels to the public to be maintained.

Despite an already glutted market, Spanish olive oil producers are unlikely to be affected as much as they fear; lower production being offset by the higher EEC prices. Mr Carbonell also believes that olive oil will not be competitive with other vegetable oils because it is increasingly bought as a luxury.

Lower production, however—although Spain is adamant that it will not bear the brunt of cutting EEC olive oil output—will inevitably lead to loss of jobs.

In Andalucia, which produces three quarters of Spain's olive oil, the Socialist regional government in Seville is trying to ease left wing pressures to tackle the historic problem of landless peasants through a modest agrarian reform programme.

Andalucia, where over half the farmland is still owned by 5 per cent of the farmers in latifundios, has anarchist traditions.

Last summer some 60,000 jobless grape pickers from southern Spain headed for southern France in Western Europe's biggest annual seasonal labour migration. Whole families travelled as anyone over 16 is allowed to work. Bent double over vines they cut grape stalks for at least eight hours a day and took home about $800 for an average 20 days' work. Within 10 years this demand for labour could disappear as mechanised picking is introduced.

The regional government in Andalucia took charge in October of 12 estates in the Antequera area north of Malaga and was set to hand the running of them to co-operatives of landless peasants. But farm owners managed to block implementation of the measures at the end of November, pending an appeal before a court.

The idea is to let co-operatives farm the large estates (whose use not the land is expropriated) for 12 years, at the end of which time the owners are entitled to their land again providing they pay for the improvements made in the interim. They also receive a rent. This is hardly a revolutionary idea since the peasants are turning a wasted asset into a going concern and then handing it back.

But while jobs may be lost in some sectors, there could be a net increase in overall farm jobs if ambitious plans to take under cultivation of 500,000 hectares of newly irrigated land came to fruition.

The speed with which some modern farmers have been gearing themselves up for the EEC could be gauged last summer from the frantic drilling of water wells in areas like Castellon to the north of Valencia, where orange production is being stepped up. They rushed because parliament has reformed the water laws to stop abuse of a scarce resource. It is now more difficult to drill wells.

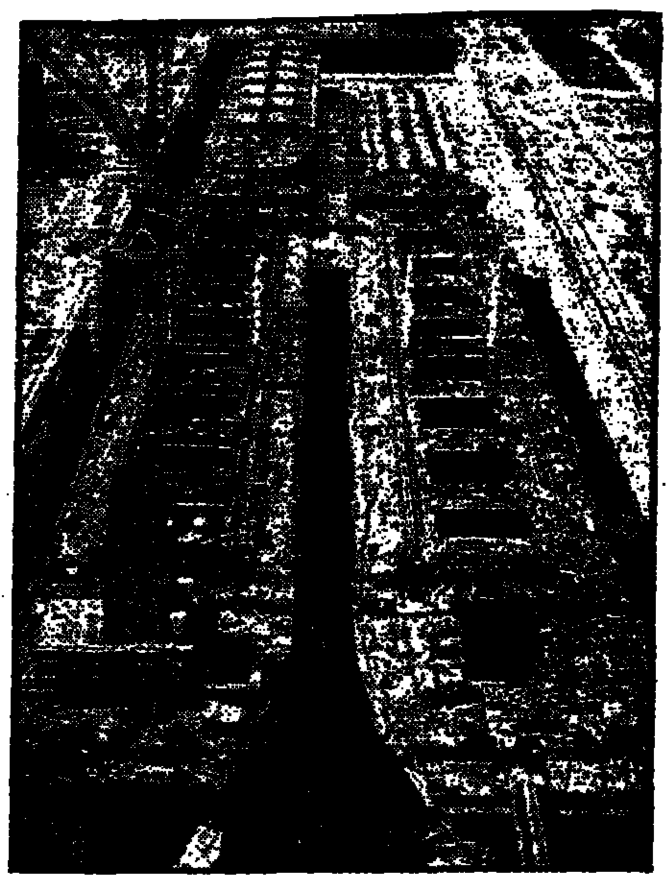
As EEC duties on Spanish products are scaled down, so farmers will be encouraged to step up their penetration of European outlets.

For example Spain already supplies virtually all the EEC's apricot needs, although the duty is 25 per cent. Apples are another promising area. Producers are diversifying away from Golden Delicious and into green and red varieties.

But this growth potential could be frustrated by the Community's intention to allow easier access into EEC markets for other Mediterranean fruit producers — Israel, Morocco, Tunisia, Cyprus and Algeria—to the outrage of Spanish producers.

Spain and the EEC 6

The run-up to integration in the EEC has seen an acceleration in moves to reorganise key industrial sectors and raise technological levels. On the following three pages eight of Spain's major industries are examined.



Ships under construction at the Puerto Real yard of Astilleros Espanoles.

Scaling heights and plumbing the depths

Textiles

TOM BURNS

THE PRESENT situation of Spain's "rag trade" is nothing if not ironic. Just as there is a flowering of young designers who are climbing to the pinnacles of fashion fame, the bread and butter of the industry, Spain's textile sector, seems poised to crash through the floor.

The designers call themselves the post-moderns and they are the celebrities of an avante-garde Spain that would appear to have been part of European trends and currents from time immemorial. The anguished problems of the sector as a whole are, ironically, prompted by the very fact that Spain is a member of the European Community. Where clothes are concerned Europe cuts both ways for Spain.

What the designers have achieved is considerable. They adorn the pages of the fashion Press, and the off-the-peg collections in Madrid and Barcelona take their place as a matter of course alongside those from Milan, Paris and London. The new Spanish trademark is imagination, flair and inventiveness. The designers have sold the image of a new and young Spain.

The irrepressible excitement generated by Spain's "moda" contrasts strongly with the gloom that has afflicted the textile producers. The latter are appalled at the impact of tariff disarmament and the acceptance of the common external tariff. A sector by sector breakdown of who gets bruised by EEC membership puts textiles way up in the ranking of those badly hurt.

If the designers are new and thrusting, the producers are victims of old age practices who grew accustomed to their set ways and lived complacently behind the high walls of protectionism. The sector has been able to keep out the non-Spaniard, has been able to export thanks to generous tax relief, and has, in consequence, coasted along with small firms, short production lines, rising labour costs and expensive stock financing.

European entry means, over the transition years, export difficulties and import facilities. The exports are hit by the end to government rebates this month and the internal market is weakened by the imposition of Value Added Tax. Last year, before the January impact, the writing was already on the wall. During the first three months of 1985 imports had already spurted by 7.8 per cent against the closing months of 1984 and exports over the same period were down by 17 per cent.

According to Mr Miquel Bosser, the chairman of a Barcelona-based woollen goods manufacturing company and a high official in the sector's trade association, Consejo Intertextil Espanol, the enduring effect of membership could be a 20 per cent loss in Spanish textile exports. The cut would, according to Mr Bosser, put in jeopardy as many as a fifth of the 100,000 jobs in the sector which are estimated to be linked to the export market.

An additional factor that creates considerable concern is the challenge posed by Portugal where lower labour costs, larger production units and greater experience with foreign markets, particularly the British one, make European membership as attractive an opportunity to the Portuguese textile sector as it is a dismal prospect to its Spanish counterpart.

A report prepared by the Consejo Intertextil last year reached the conclusion that, with EEC membership, Spain's textile exports would be 10 per cent dearer and textile imports would be close on 9 per cent cheaper. Accession meant, according to the association's scrutiny of factors such as an 11 per cent VAT levy and the end to a 12 per cent tax rebate for exports, a global negative impact of 18.98 per cent on the sector's commercial balance.

One proposal Spain's textile producers have made is to have the Government's VAT takings help to reduce the burden of social security payments. This suggestion has been echoed by other Spanish manufacturing sectors that feel themselves threatened by the Community. The Spanish producers argue that their competitiveness is blunted by the obligation to finance close on 100 per cent of their employees' social security payments against the average 40 per cent which is the norm in the Community.

High labour costs and social security obligations have, in fact, led to the spread of "submerged" textile firms within the "black" economy. If that has been one, albeit illegal, answer to the European challenge, another has been a greater receptiveness to the new ideas of the new designers. The latter response indicates a surer future, although a changed one, for the sector.

Problems lead to reshaping

Chemicals

DAVID WHITE

THE chemical sector provided the first major industrial challenge for the Socialists when they arrived in power just over three years ago. Spain's top chemical group and the largest industrial concern under Spanish private-sector ownership, Union Explosivos Rio Tinto (ERT), had chosen to throw the gauntlet down to its creditors just before the general election, suspending payments on $1bn of amassed debt owed to 80 foreign and 40 Spanish banks.

After the Government appointed a new chairman, and after 18 months of wrangling, the crisis made way for the largest debt rescheduling operation ever undertaken in Spain, the repercussion of which is a partial reorganisation of the industry.

The final plan, agreed after two abortive attempts, involves state aid, a big investment effort and—as a means of repaying part of the debt—disposal of assets. It has already sold about $200m worth, including property, industrial plant and participations.

These moves include Shell's taking over shares from ERT and the West German Hoechst Group in Industrias Quimicas Asociadas, which has an ethylene cracker in Tarragona, the purchase by Dow Chemical and the state-owned refiner Enpetrol of a low-density polyethylene plant from ERT, also at Tarragona, and Rhone-Poulenc of France buying out ERT's half of a joint venture, Rio Rodano.

ERT itself expects to show a profit for 1985, a year earlier than scheduled thanks to improved trends in the industry.

The group is the biggest Spanish presence in one of the country's most heavily foreign-controlled industries. Chemicals were a priority foreign investment sector in the growth years of the 1960s and 1970s, and some branches are more than half in foreign hands. West German, Belgian, Swiss, French, Dutch and US chemical and pharmaceutical concerns play a prominent role in the industry, which employs about 240,000 and accounts for some 15 per cent of Spain's industrial exports.

Up to the start of this decade, Spanish chemicals were expanding faster than the rest of Spanish industry and faster than the world chemical industry, with average growth rates of around 13 per cent a year between 1964 and 1980, and about 7 per cent a year in the 1970s, despite the oil crisis.

The trend since then has been uneven, but the export boom year of 1984 produced a recovery in capacity use and a reduction in Spain's trade deficit in chemicals. Last year brought stagnation in the early months but a subsequent improvement.

A large share of the problems are in the mostly Spanish-controlled basic sectors. The Socialist UGT trade union has estimated the investments needed to sort out the industry and substitute obsolete equipmen at Pta 180bn (US$780m). The main weakness, along with plastics, is in fertilisers, where big expansion has given way to heavy losses and where restructuring is in progress.

Heavy labour cuts necessary

Capital Goods

DAVID WHITE

THE prize for the most frequently announced event of recent times in Spain must go to the shake-out of the country's electrical capital goods industry. Reorganisation before EEC entry was seen as imperative to avoid possible obstacles arising from Community competition rules, but the entry date went by before the emergence of the long-mooted state-backed plan for the sector.

Reorganisation among the producers of heavy electrical equipment became urgent after the Socialists came to power three years ago and went ahead with the drastic cut they had promised in nuclear power, reducing the installed capacity planned for the early 1990s by 40 per cent and shelving five reactors. The cuts, geared to lower-than-expected energy needs, coincided with a brake on spending within the state railway network, in a bid to stem its losses.

The industry reckons it needs to shed half its 12,000-strong workforce in order to be viable — but the question of state backing for a restructuring programme has become a poker game between the companies and the Government.

The key to this confrontation is that the industry is dominated by the offshoots of four multinationals — General Electric of the US, Westinghouse, Brown Boveri and Siemens. The latter, more diversified and in better health than the others, is the only one in which the original foreign parent group has kept control.

Pressure for negotiations with the Government was stepped up in October 1983 when Westinghouse's subsidiary, Wesa, applied for court protection from creditors. This surprise came a year and a half after a restructuring plan backed by the previous Centrist Government. The US parent had continued pumping in capital, but had never received a dividend from its subsidiary, was no longer receiving licence royalties, and the Spanish unit was consuming $1m a month in cash.

GE's affiliate General Electrica Espanola, rival for top slot in the industry, took the same course the following January.

Westinghouse proceeded to strike a deal with a virtually unknown British-registered and Italian-owned company, Arbobyl, to transfer control of its Spanish unit with its five factories. The new management team, which persuaded the Government it was not just asset-stripping, recently went a step further and concluded a deal along with Spanish interests to take over Brown Boveri's Spanish operation — which includes a big share of the hydro-generating business.

This went some way towards what the Government was wanting—for the companies to carry out their own reorganisation before receiving aid.

Contacts between producers have continued in order to set up new "poles" for the different sectors. Wesa proposed taking over General Electrica's industrial operations, but this was turned down, partly because of potential reaction in the volatile Basque region where the latter is based.

In any event, the Government wants to ensure that, while the sector becomes more specialised and more technologically advanced, there remain at least two sources of supply for power generating equipment.

The companies' chief concern in the reorganisation is to achieve the full labour cuts they seek. Otherwise, they warn that the aid funds—which could amount to Pta 70bn ($450m) — would be spent in vain.

Feelings run high over reconversion

Shipbuilding

TOM BURNS

THE reconversion of Spain's shipbuilding sector has proved to be the toughest in terms of demonstrations and confrontations. The highwater mark of industrial disputes and violence was reached in Bilbao where workers, faced with redundancies, locked themselves into the Euskalduna yard and traded petrol bombs for rubber bullets with the besieging riot police.

Heckling by employees of the Astano yard reduced to chaos one of Deputy Prime Minister Alfonso Guerra's meetings during November's regional election campaign in Galicia, and prompted an exasperated Mr Guerra to make what was arguably the political quote of 1985: "One day you will weep before your children," he told hecklers, "because you tried to sabotage a Socialist meeting."

The real problem of the sector's reconversion was, however, of a different order. The Government could take confrontation in its stride but it was on less steady ground as it emerged, during the course of last year, that the reconversion plan itself was falling dangerously short in its forecasts.

The long overdue rationalising programme for the sector had succeeded in cutting production capacity and in shedding excess manpower. In common with so much of Spanish industry, the effects of recession were not properly faced in Spain until nearly a decade later. There was notably less success, in contrast, over attracting new business.

Put bluntly the viability of the reconverted or scaled down sector remained as open to doubt on the completion of key aspects of the programme as it had been when the rationalising plan was first put into operation. This gloomy outlook, which covered both the major and the small and medium yards, was the overall picture that emerged from a report on Spain's shipbuilding which was prepared in the autumn by the Comision Delegada Para Asuntos Economicos.

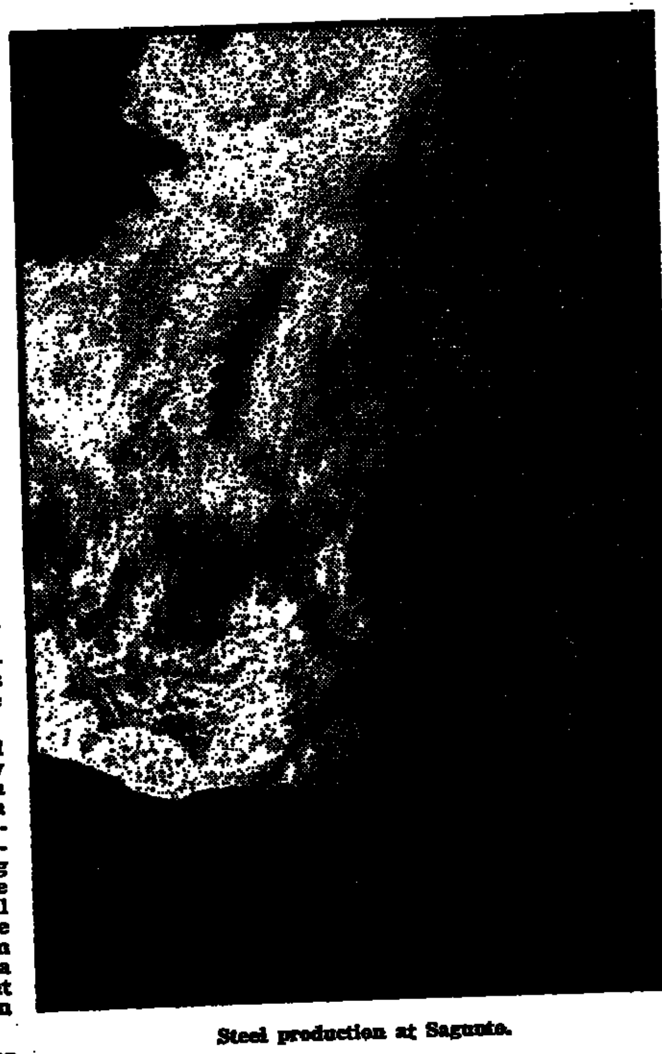
The crunch for the sector comes this year. In the case of the big yards the plan had forecast a series of major contracts over the past two years that would have assured the yards of a production of 250,900 compensated gross registered tonnes (GRT) in 1986. In the event there were no new contracts in 1984 and only 45,528 compensated GRT was contracted last year. In the original forecast the 1985 figure should have been just over 25,500 compensated GRT to project the yards livelihood forward into the 1990s.

The scenario for the small and medium yards is only slightly less grim. Contracts in 1984 were 50 per cent down on the forecast and they represented 72 per cent of the forecast last year. The contracting has meant that this year the small and medium yards will only realise 58 per cent of the reconversion plan's production target and there will be a further shortfall to 43 per cent of the production target in 1987.

The problem facing the sector is underlined by the fact that under the reconversion plan major efforts were made to put the industry on a sound footing. In the case of the major yards the work force of 21,920 has been cut to 13,998, following the plan's guidelines. In 1985 42 per cent of major yard employees were wholly laid off, due to lack of orders, and the estimate for this year is that the figure will rise to 60 per cent.

The Puerto Real yard, at Cadiz, which belongs to INI's Astilleros Espanoles (AESA), and is one of the biggest, had a blank order book at the end of last year. During 1985 2,500 of its 3,400 labour force were wholly laid off, a further 600 were working a short shift of a one-third working day and only 300 were fully employed.

The trend over last year and the prospects awaiting the shipbuilding sector this year suggest that a rethink of the reconversion plan will be necessary. This, at least, was what last autumn's report by the Comision Delegada concluded in its pessimistic survey of the situation. Confrontations, on this basis, seem set to continue.



Steel production at Sagunto.

Increased dependency on exports

Steel

TOM BURNS

THE KEY reading of the chief variables of the Spanish steel sector was that Spain was becoming increasingly dependent on its exports. Production edged up from 13m tonnes in 1983 to 13.5m tonnes in 1984 and to 14m tonnes (according to National Steel Association, Unesid, estimates) in 1985. At the same time exports rose by double the production increase from 7.4m tonnes in 1983 to 8.6m tonnes in 1984 and to an estimated 9.5m tonnes last year.

The variables graph shows an oscillating and modest figure where imports are concerned, for the 1.4m tonne import figure in 1983 moves up to 1.5m tonnes in 1984 and to 1.9m tonnes in 1985. As expected domestic consumption over the past three years continued to drop: from 8.1m tonnes in 1983 to 7.4m tonnes in 1984 and to 6.6m tonnes last year.

The set pattern of the sector is that Spain is producing more, consuming less and therefore exporting more. Imports in such a situation can gain only the smallest of toeholds. Spain's steel exports, which stood at 2.1m tonnes in 1975, have more than quadrupled, whereas last year's 1.9m tonnes import figure has to be compared with the 2.4m tonnes that were imported in 1975.

The truly dramatic figure of the decade has been the drop in Spain's domestic consumption of steel. A 1975 domestic consumption figure of 10m tonnes, which in itself was a huge drop from the 11.8m tonnes recorded in 1974, now seems a magical figure. Consumption has dropped throughout the decade to the record 6.6m tonne low last year.

The trend is all the more startling if the per capita consumption of steel statistics are used. In the bumper 1974 year 334 kilos of steel were consumed annually by every Spaniard and in 1985 this had dropped to 189 kilos, a shortfall of 43 per cent. Spain had attained and surpassed the 189 kilos per annum back in 1968 when the Spanish "miracle" was in full swing.

A final key feature of the variables concerns the forecasts that were made a decade ago and again only recently as to the future of Spain's domestic steel consumption, for the present difficulties of the sector are the direct result of such widely off course prognostications.

In 1974 the forecast was of between 17m and 20m tonnes worth of domestic consumption in 1985. As recently as 1982, when the Government put forward its four-year steel plan (this was the first realistic attempt to grapple with the problem), the forecast was that domestic consumption for 1986 would be 9m tonnes — a figure that is clearly unrealisable.

Thus the present situation has been arrived at in which two-thirds of Spain's steel production is exported and in which imports account for less than a quarter of Spain's internal consumption. It should be noted that throughout the crisis years Spain's productive capacity has steadily climbed to a present 18m tonnes (present output is 75 per cent capacity against 85 per cent in 1974), and that Spain is the fifth largest steel producer in the European Community and ranks 12th in the world.

In such circumstances a brusque entry of the Spanish steel sector into the European Community would have sounded its death knell. It is because of this that the negotiations over steel were conducted in a spirit of generosity towards Spain. Last year the Community upped the quota of Spanish steel from 757,000 tonnes to 797,000 tonnes. This year, after entry, the quota has been raised again to 827,500 tonnes and this figure will continue to be the norm over the next three years.

In addition the Madrid Government, on the grounds that it was late in starting to restructure its steel sector, has obtained a deal from Brussels that will enable it to continue providing massive aid to the sector through to the completion of the programme in 1988.

The reconversion of the steel sector has so far soaked up some Pta 300bn and a further equivalent amount is likely to be spent by the Government as more than a third of the sector's 36,000 employees lose their jobs. About half of the aid programme consists of direct modernisation investment and the remaining half is being devoted to absorbing the social cost of redundancies and refinancing the sector.

Following European entry the Government's reconversion programme has no option other than to apply its remedial therapy fast and effectively, for in three years time Spain's steel sector will be feeling the full blast of tariff disarmament and an absence of Government credits.

The hope is that by then domestic consumption will be showing an upturn, but the hope is a slim one as crucial steel consumers in Spain, such as car production, ship building, public works and construction and electrical goods are themselves sectors which show little bounce at present.

A boost to ambitions

Electronics

TOM BURNS

NEXT MONTH the first stone will be laid at a new industrial plant in the village of Tres Cantos just north of Madrid. The ceremony will be highly profiled, for it will be visible evidence that Spain, as Prime Minister Felipe Gonzalez is fond of saying, has "caught the train to the hightech revolution."

The plant will be owned by AT and T Microelectronica de Espana and it will be the first in Europe to build 1.75 micras custom integrated circuits.

The Tres Cantos plant is the result of a joint venture between American Telephone and Telegraph and the domestic telephone company, Compania Telefonica Nacional de Espana (CTNE). It commits the US giant to a total investment of Pta 35bn. The Spanish Government is putting up aid of some Pta 11bn, which is a cheap price to pay when compared with the cost of developing home grown technology.

Amid the fanfares of the stone laying ceremony, Spanish officials will have reason to feel satisfied, for the joint venture studiously follows the main guidelines that the Government has mapped out for the electronics sector: At one level a key multinational has established a manufacturing base in Spain and at another the Tres Cantos output will both correct the present consumer electronics weighting of the sector and, because the production will be exported direct, it will help to narrow Spain's foreign trade gap.

The marriage of convenience between AT & T (the US multinational certainly found Telefonica's monopoly telecommunications rights in Spain attractive) also had the notable spin-off of forcing the Spanish Government to take a hard look at its regulations on technology re-exports.

In order to clinch the joint venture Madrid had to take steps reassuring the US that sensitive "dual" technology which could be adapted for military use would not find its way to East Bloc countries.

The wrangles over the issue held up Washington's approval for the Tres Cantos venture and was finally resolved by Spain's entry into Cocom, the Nato-based committee which supervises "dual use" re-exports.

Madrid's undertaking in this field potentially opens the door to further US high-tech investment.

For CTNE, the joint venture represented the cornerstone of its international expansion. With the Tres Cantos semiconductor plant under its belt, the Spanish company moved on to deal with Corning Glass Work Corporation, to build an optic fibre plant, and to an agreement with Fujitsu to acquire Spain's state-owned computer firm Secoinsa. The Spanish telephone company was poised for take-off and began to list its shares in London, New York and Tokyo.

CTNE forged ahead, in part under the umbrella of the Plan Electronico e Informatico Nacional, the national electronics and data processing plan known as PEIN. This was approved in 1984 and remains in force through to 1987. The PEIN objectives are ambitious and give an indication of the Government's commitment to the electronics sector.

The plan maps out an annual consumption growth of 10.6 per cent, and annual growths of 19.1 per cent for production, 33.1 per cent for exports and 8.4 per cent for imports. Under the PEIN, preferential credit for investment totals Pta 28.8bn and export credit and research and development subsidies amount to Pta 53.1bn and Pta 9.7bn respectively.

To a great extent the future of the sector and of the PEIN lies outside the Government's hands, for it is ultimately dependent, in a situation such as Spain's, on the ability of the country to attract multinationals and encourage them to establish their operations, preferably through joint ventures in Spain. It is in this sense that Tres Cantos was a key boost for Spain's ambitions.

European entry poses an obvious question-mark which concerns the future competitiveness of Spanish exports to the Community after the transition period of tariff disarmament. About a half of Spain's electronics exports go to the EEC. On the plus side Spain will have access to the Community's research and development programmes, such as the Esprit project, as well as to Community funds for high-tech training schemes.

Large scale reorganisation

Motor Industry

DAVID WHITE

VOLKSWAGEN'S IMMINENT takeover of Seat, the Spanish state-owned car company, is the most spectacular aspect of a reorganisation going on in the Spanish motor industry to enable it to face the implications of the EEC, the market where Spain already sells more than half the cars it produces.

Negotiations between motor companies and the Government over aid—especially for the cost of trimming labour—accelerated in the closing months of last year amid a rising sense of urgency ahead of entry. In the car industry, government experts put the excess workforce at 6,000 out of a total of 84,000.

Adapting to Spanish integration in the EEC implies big changes for four of the six companies that make cars in Spain, the only European country to have so many major producers.

The two most recent arrivals, Ford and General Motors, already consider themselves fully tuned into the EEC, since they came with that prospect in mind and have kept to a limited product range.

General Motors, which has been in Spain since 1982, is already the biggest exporter with its Opel Corsa/ Vauxhall Nova, and is expected to begin making a second model this year.

The others, which have until now produced a wide range of cars to supply the protected Spanish market, need to set up more productive, simplified and enlarged production lines to maintain their place as the Spanish market is progressively opened to imports.

The sale of Seat ends an era of state initiative in the car industry dating back to the 1950s. The oldest Spanish producer, Seat has had an industrial agreement with VW since 1982, after Fiat backed out of its 30-year partnership. Although making heavy losses, it has bounced back to top production position this year thanks to a big export drive, including its first original models.

To meet VW's demands, the Government is covering the Pta 183bn ($1.2bn) needed to set the debt-laden company on a new financial footing. Spending of Pta 500bn is planned on modernising its production facilities, with a view to raising production to 400,000 cars a year from 1990, 25 per cent more than at present.

Plans negotiated with the three French-owned producers—Renault and the sister companies Peugeot-Talbot and Citroen—all involve maintaining or increasing output. Renault has reached agreement for a Pta 50bn investment programme, including some state aid for innovation.

The other two will receive a larger share of aid for investments of Pta 11-12bn each and for labour cuts, which are long overdue at Peugeot-Talbot. Both are to reduce their model range to two cars.

Requests for aid have also come from commercial vehicle producers. Nissan, which has spent some $250m on its subsidiary motor company Iberica, wants to shed 1,000 jobs, especially since it failed to obtain permission to assemble saloon cars at its Barcelona plant. The state-owned Enasa truck company, now in limbo after General Motors' decision not to press ahead with take-over talks will also need help even if it finds a new partner.

However, not all is gloom. The slack home market picked up sharply in the autumn in all sectors except heavy trucks. As a result car production for the first 11 months was 4.5 per cent up on 1984. On the other hand, car imports have already accelerated, rising by about a third. These now take up about 13 per cent of the Spanish market, a share which experts say could rise to 20 or 25 per cent in seven years time, when tariffs on EEC imports are completely down.

Robot welding at the Ford Works in Valencia.

Friction as monopoly ends

Oil

DAVID WHITE

OIL, which has been subject to a distribution monopoly in Spain since 1927, is one of the sectors in which EEC membership implies a major change, and one which is likely to produce some sparks of friction.

Gradually the main European petrol brands will begin to appear on the Spanish roadsides where until now they have been conspicuously absent.

Adjustment to the EEC takes place on several fronts. Before entry, Spain changed octane levels to bring its petrol into line. From the moment of entry, it suppressed exclusive export rights in the sector. And after a six-year transition it has to end discrimination against companies from other EEC countries on conditions for supply and sale of oil products. However, the Government appears set on making things hard for EEC competitors, and may face a challenge to its policies.

All oil products except for foreign ships and aircraft have been subject to the monopoly operated by Campsa, a company which had access to pipelines, transport and storage facilities owned by the state.

EEC accession faced the Government with two choices: either opening up this network to all comers, or transforming Campsa into a mixed company and letting competitors set up their own rival distribution networks. In order to protect Spanish refiners it opted for the latter, a complex operation which involved transferring Pta 108bn worth of state assets to Campsa and opening up its capital to the country's private and state refiners but maintaining majority public sector control.

Simultaneously the state has moved to reinforce its other oil interests by merging two refiners as well as its foreign and domestic exploration units.

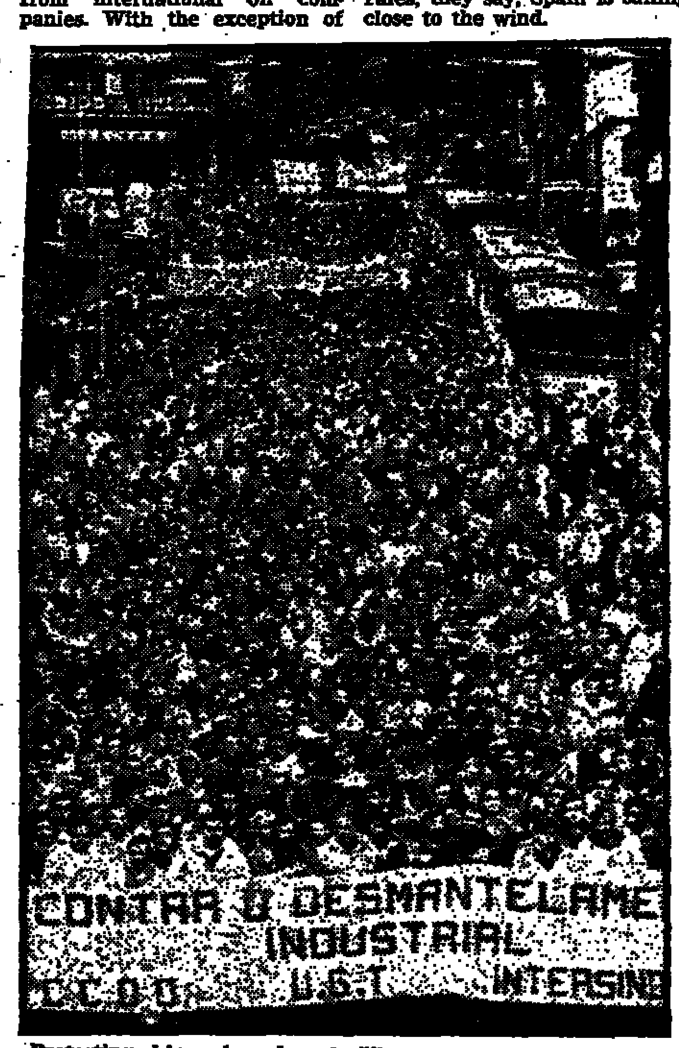
Because of the monopoly, Spanish oil companies have developed in a different way from international oil companies. With the exception of the Cepsa group, the refiners are not integrated concerns which can recover on exploration and production what they lose in retail, but simple converters of crude into products to sell to Campsa. Under the reorganisation, however, the jointly-owned Campsa is to channel 15 per cent of its profits through a subsidiary into exploration.

The prospect of competition requires a big effort from the "new Campsa" to build a fresh image. The refiners have made over to it the petrol stations they were managing under concession, and Campsa plans to modernise its distribution, including self-service stations, and to extend its pipeline network to the northern and Mediterranean coastal regions which are currently supplied by sea. These plans assume the loss of 10 per cent of the market, and more in the Basque country and Catalonia, which border on France.

Oil products have been the subject of a spate of new Government regulations. Rules which came into force this month on the retail distribution of imports from the EEC aim ostensibly to guarantee the coverage of users' needs and the "correct development" of the industry.

The conditions are proof of companies' technical and financial credentials, sufficient storage capacity, strategic stocks to cover 90 days of foreseeable demand and "adequate geographic distribution." Campsa is meanwhile to maintain exclusivity over the distribution and sale of national produced petrol and fuel and imports from non-EEC countries.

Multinationals believe they are up against a restrictive policy designed to satisfy the demands of the Spanish industry, which wants to keep the foreign share of the market well within the levels established under the transition agreement. As regards EEC rules, they say, Spain is sailing close to the wind.



Protesting shipyard workers in Vigo march behind a banner proclaiming "No to dismantling of industry."

Lack of flexibility proves expensive

Labour

DAVID WHITE

SPAIN IS — notoriously — one of the western countries where it is most difficult and costly for companies to get rid of employees they no longer need. The rigidity of hiring-and-firing laws, a legacy of the Franco regime, has meant that Spain has had to design its industrial streamlining programme — involving the state in several billion dollars worth of support for a series of troubled sectors — in order to get around them.

"The whole process of industrial reconversion," said a senior minstry official, simplifying the issue, "is really a substitute for redundancies which governments have not had the political courage to carry out."

The lack of flexibility for enforcing redundancies, except on an agreed and voluntary basis, has proved expensive both economically for Spain, which has lagged behind other European countries in improving productivity, and financially, now that the taxpayer has to carry the cost of restructuring workforces in numerous cases.

From a government point of view, this has been the price of preserving labour peace during the delicate years of the post-Franco transition period. Paradoxically, relations with trade uinons which were legalised after the return of democracy have hinged on preserving workers' rights which were acquired during the dictatorship.

The guarantee of job security was a product of the paternalistic side of Francoism, a trade-off for the lack of union rights and the banning of labour organisations other than the official "vertical" syndicates. The guarantee was provided not by workers' representatives but directly by the state, which set itself up as guardian of the workers' individual and collective interests.

The view of the Confederation of Spanish Business Organisations (CEOE), the main employer body, is that this protection lost sense from the moment the first law on union liberties was brought out in 1977. A new system, it argues, has been superimposed in the old, instead of replacing it.

Except in instances of companies actually folding, it is in practice virtually impossible to enforce redundancies without reaching an agreement beforehand with at least one of the main unions on compensation terms. According to the CEOE labour experts, about 80 per cent of redundancy schemes are the fruit of pacts of this kind.

The rules, they say, enable unions to press tougher settlement settlement demands than would otherwise be the case.

For employers the call for greater flexibility has become a standard war-cry — and a principal complaint against the Socialist Government in the wake of last year's Economic and Social Agreement, which foresaw a tripartite commission on labour legistation.

At the same time, the threat of "free dismissal" has become a pet bogey for the union movement, dominated by the big Socialist and Communist Federations, Union General de Trabajadores (UGT) and Comisiones Obreras.

The CEOE says, however, that it is not asking for "free dismissal" but for reasonable indemnities.

The barriers to redundancies have not prevented a dramatic loss of jobs. Far from it: since 1977, employment in Spanish industry and construction has shrunk by well over 1m, a quarter of the total. On the other hand, rising unemployment—now around 22 per cent of those eavailable for work—has increased the barriers. As alternative jobs have become harder to find, the cost of tempting workers out of their posts has gone up.

This situation is made more acute by the inadequacy of unemployment benefits, which run out after two years.

A classic case is that of Peugeot-Talbot, which has a car factory at Villaverde, a southern Madrid suburb and left-wing stronghold. In 1982, the French-owned company decided the workforce it needed for a modernised plant was about 6,000, which meant shedding 4,500 jobs. It reached agreement with the administration and unions on a programme for achieving the cuts through natural loss, early retirement and voluntary redundancies. In a first stage, it got 1,500 to leave, but then the market became more difficult.

By October 1985, when its plan should have been completed, 1,820 of the workers who should have gone were still on the payroll. This was despite the fact that compensation for voluntary redundancies had risen to an average of around Pta 3m for non-skilled workers — about two and a half years of salary. This compares with a theoretical maximum of 12 months of wages laid down in Spain's Workers' Statute for redundancies on technical grounds.

The company has been negotiating a new plan in which the state will part-subsidise both its investments and the cost of shedding labour. It is, a strange situation for a Socialist government to find itself in.

The motor industry is an extreme case, but in other sectors companies also have to pay much higher compensation than the theoretical level established in the statute of 20 days' pay per year of service.

Most settlements, according to the CEOE, fall within the range of 20 and 45 days for each year worked.

The basic procedure for redundancies on technical or economic grounds is that the company, once it has prepared its documentation, calls a meeting of workers' representatives and presents them with a paper that goes by the abstruse name of Employment Adjustment File (Expediente de Regulacion de Empleo). The Labour Ministry is notified and given a copy. Company and unions then have 30 days to negotiate.

If they reach agreement, they inform the Labour Ministry, which has 15 days to reply. If it says nothing, the agreement stands. On the other hand, if there is no agreement, the company cannot go ahead without the authorities' express approval. The authorities are supposed to decide within 30 days, but, the CEOE complains, rarely do.

From the employers' point of view, the situation has undoubtedly been made worse as a result of concessions made by the Government in its industrial restructuring programme, suspending workers' contracts instead of terminating them. The precedent was set in a government-backed scheme for the overmanned special steels sector in February 1984—against the opposition of Mr Carlos Solchaga, the current finance and economy minister, who was then at industry. He offered his resignation over the issue, but it was turned down.

Suspended contracts, which just serve to postpone the crunch, are an expensive alternative for a company, since it has to continue paying social security charges for the workers concerned.

The private sector continues to argue that the labour laws force employers to think twice before hiring new staff.

In 1984, the Government introduced several reforms to make the system more flexible, the most important of these being the fixed-term contract. Under this, unemployed people can be taken on for terms of a minimum of six months. If the contract is terminated, compensation is set at the modest level of 12 days' pay per year of service.

Together with other programmes including incentives for hiring young people, this is seen as having been a prime factor behind the recent improvement in Spain's employment figures. Total employment showed a surprising upturn in the third quarter of last year.

However, the fixed-term contract cannot be continued beyond a maximum of three years, and employers argue that this is only a small part of a solution. The root of the problem has yet to be tackled.

Planning is overshadowed by Nato debate

Defence

TOM BURNS

THE Nato debate has inevitably coloured defence thinking and organising in Spain ever since the Socialists won power in 1982 and brought the Alliance membership issue into the limelight. The debate will continue to blight the defence planners and executors presumably through to this spring, when the long awaited Nato referendum is staged.

Defence Minister Mr Narcis Serra, who right up to the end of 1985 lobbied for the substitution of the plebiscite by early general elections, has had the unenviable task of reassuring his Nato opposite numbers, spurring along his cabinet colleagues and maintaining morale in his department through the twists and turns of the referendum debate.

Publicly Mr Serra and the top defence ministry officials have put on a brave face and they have even taken aboard the Government's somewhat convoluted argument that the referendum will be beneficial to Spain's defence interests because it will make civilians co-responsible for future strategy.

Privately the defence team would have been far happier if Prime Minister Felipe Gonzalez had dropped his referendum plans much in the same way as he changed his mind about the suitability of Spain remaining in the Alliance. There were indeed hopes that the plebiscite could be avoided late last year as the cabinet debated the possibility of dissolving Parliament in January, immediately after Spain's formal entry into the European Community.

What the pro-Nato lobby has found hardest to digest is the possibility that Spain might leave the Alliance. Mr Gonzalez hedged the issue right through last year and he chose to drop the bombshell at a joint press conference with Lord Carrington when the Nato Secretary General visited Madrid at the beginning of January. A vote against Nato in the referendum would mean Spain's withdrawal from the Alliance.

In the past the Prime Minister had insisted that the plebiscite was a consultative instrument and that it was not binding. Constitutionally this is the case, and Mr Gonzalez would not be drawn last year on whether it was politically possible to remain in the Alliance after an adverse vote in the referendum.

The Prime Minister's decision to raise the spectre of withdrawal was, however, a carefully calculated gambit designed principally to force Conservatives to make the trip to the polling booths and cast their vote in favour of Nato. In these terms it was a response to the decision by the opposition Coalicion Democratica to ignore the referendum and to recommend abstention.

Mr Gonzalez is fond of saying that he is "cautiously optimistic" over his chances of obtaining a favourable vote in the referendum. Independent observers are more bullish. Most recently the British Labour Party leader, Mr Neil Kinnock, who was another January visitor to Mr Gonzalez's Moncloa Palace said that, in his opinion the Spanish Prime Minister had "every reason to feel confident" about the referendum result, "many more reasons than he cares to admit."

The likelihood is that Spaniards will be asked in the plebiscite whether they endorse the principle of remaining within the Alliance as part of the Government's contribution to European peace and security. A straight Nato yes or no formulation will be avoided at all costs and the question in the referendum will be accompanied by a preamble which will itemise Mr Gonzalez's "package" for remaining in the Alliance.

The fundamental points of the package are that Spain will not be a member of Nato's military command, that Spain will remain a nuclear-free zone and that there will be a scaled down reduction of US personnel stationed at joint Spanish-American bases in Spain.

The decision to freeze negotiations with Nato's military command was taken by Mr Gonzalez at the start of his mandate, the ban on nuclear stockpiling was the result of a parliamentary vote taken when Spain entered Nato under the previous Centre Party Government and the Nato-US troop reduction package was initialled last November by a high ranking delegation from Washington.

Conditioning the whole framework of the referendum will be the European dimension. Mr Gonzalez originally proposed entry into Nato on the grounds that Spain was being asked to take the "rough" part of Europeanism through Alliance membership without the "smooth" which was Community Membership—something that in 1982 was still in the distant future. Mr Gonzalez, as opposition leader, used other arguments as well to oppose entry but what came to be known as the "Duras y Maduras" (the rough and the smooth) discourse was a particularly effective one.

The Prime Minister can now, in the wake of Community entry, return to the same theme except that this time around he will be arguing in favour of continued Nato membership. Since Spain is a member of the Community, the nation must make its contribution to European security, taking the rough with the smooth.

Such arguments and sweeteners are clearly designed to rally support for the Government's position in the referendum. The package and the preamble alone put the yes vote ahead of the one against Nato, according to surveys undertaken for the Government. The "Aye" vote increases, or so Government officials believe, if withdrawal becomes a real possibility.

A final ploy that could be used concerns leaking to the general public Mr Gonzalez's alleged decision to resign as Prime Minister and withdraw from active politics if he loses the plebiscite. This would undoubtedly prompt Felipistas, who remain lukewarm about Nato, to change their minds.

The Nato debate has had several consequences for Spain's defence sector. At one level the necessary packaging to ensure a favourable referendum result is viewed as unfortunate not just by the Allies as a whole but by the pro-Nato Lobby in Spain as well. At another there has been a degree of cost cutting in the sector that, at least in part, aims to make continued Nato presence more palatable.

On the first point it remains far from clear what exactly Spain will be doing in Nato should Mr Gonzalez obtain a favourable plebiscite. Under the terms of the package, Spain remains outside the military command chain and yet there is the accompanying issue of the reduction of the US military personnel in Spain.

The US-Spain communique last November said that there would be "scaled, negotiated reduction" in which US armed forces would be replaced by those of Spain within the context of ensuring Western security and within the framework of the Atlantic Alliance. The agreement was a breakthrough for Mr Gonzalez, for it allowed him to slice through the anti-Nato protest platform which seeks both a withdrawal from the Alliance and an end to American bases in Spain.

A close reading of the communique, however, reveals that any reduction of the US presence depends on the commitment and capacity of the Spanish armed forces to undertake the "missions" carried out by the US troops that they would be replacing. This would in turn suggest that the Spanish armed forces would have to be part of Nato's military command chain.

The apparent contradiction posed by these two key elements in the package has not been explained to the Spanish public. The Spanish defence chiefs are meanwhile left with the problem of bringing their armed forces up to the level in which they could theoretically replace those of the U.S., without having access to any of the spin-offs that would accompany a fully committed membership of the Alliance.

The defence chiefs, and Mr Serra not least among them, are in any case already voicing concern over the cuts in defence spending that have been written in to the 1986 budget. In part the defence ministry suffered the effects of austerity that Economy Minister Mr Carlos Solchaga imposed on every other government department. But the well founded suspicion remained that the defence shortfall had to do, also, with the Nato debate. A bumper defence budget in 1986 would have been too much of a gift for the anti-Alliance platform.

The defence allocation in the 1986 budget represents just a 1.7 per cent increase on what the department received last year, and as such a serious reversal of the pattern during the previous three years of the Socialist mandate, when Mr Serra was all but given a blank cheque to re-equip and reorganise the services.

The Defence Minister has counter-attacked with a demand that additional budget funds, earmarked specifically for modernising the forces during the 1983-90 period, be activated and increased, but he has so far found little support within the Government.

The blueprint for modernisation was in the meantime adopted by the Cabinet last year and is known as the Plan Estrategico Conjunto. Aside from headline-catching initiatives, such as the creation of a rapid development force which will be basically formed by Spain's foreign legion and its marine corps, the plan outlines the manner in which Spain shifts its defence capabilities southwards.

The thrust of Mr Serra's strategic thinking has been, much in the manner of his immediate predecessors in the ministry, to stiffen Spain's, and by extension Nato's, southern flank. Thus recently acquired Roland and Aspide missiles are deployed in the straits of Gibraltar. Spain's new sea control ship, the "Principe de Asturias," will be entrusted with missions off the coast of North West Africa down to the Canaries and the F-18A combat aircraft purchased from the US will be stationed in south east Spain with a range that takes them deep into Algeria.

With the blueprint approved, Mr Serra and his department can but wait for the dust to settle on the Nato debate. It is then, and only then, assuming of course that the referendum is won by the Government, that the nuts and bolts of what the Spanish military will be doing can be properly discussed with the Americans and with the Nato allies.

Such discussions will allow Mr Serra to exert leverage and bid for appropriate funding. An alarming feature of the Spanish military is that personnel costs in the 1986 budget for the defence sector account for 51.1 per cent of the total allocation, a figure which is at total odds with the norm in a Nato member nation.

Anti-Nato demonstrators make their feelings felt in Madrid


King Juan Carlos takes the military salute at the annual Spanish Armed Forces Day parade.

Efforts made to avoid confrontation

Relationship Between the Church and State

TOM BURNS

On his visit to Spain, Pope John Paul II is greeted by King Juan Carlos and Queen Sofia

WHEN Mr Fernando Ledesma, the Minister of Justice and the cabinet member responsible for church-state relations, visited the Vatican last year at the head of an official delegation, the Pope, to all appearances, bowled him a googly.

"Ah Spain," said John Paul II in Spanish as he approached Mr Ledesma and his delegation. "The Spanish church which has always done so much for the world."

Mr Ledesma took the spin in his stride and played it straight: "Yes, your holiness, and Spain will continue to do so," he said.

Those present at the encounter recall that John Paul II, apparently realising the double meaning of his opening gambit, broke into a smile and murmured "Of course, of course."

If the Vatican was worried that Spain has ceased to be, as it had been in the 16th century, "The Light of Trent, The Sword of Rome and the Hammer of the Heretic," Mr Ledesma was assuring it that, despite the separation of church and state and despite the landslide election triumph of a socialist party, that there was no real reason for concern.

One of the most unexpected developments in Prime Minister Felipe Gonzalez's Spain has been the overall good relations between Madrid and the Vatican. There have been gale warnings over the Socialist legislation on abortion and over the increased Government supervision of church schools. But on the whole it has been plain sailing. The two sides have studiously avoided confrontation.

Last June, a month after Mr Ledesma's meeting in St Peter's, Mr Gonzalez played host in Madrid to the Vatican's veteran diplomat-in-chief, Cardinal Agostino Casaroli. The talks with Mons. Cassaroli, an enthusiastic Mr Gonzalez said later, were "a model of their kind, very cordial and very positive."

When Archbishop Gabino Diaz Merchan, the head of the Spanish Episcopal Conference, was quizzed on a visit to Rome, as to how church-state relations could be so easy and fluid, he had his answer well prepared: With Mr Gonzalez's Socialists, he said in as many words, there had been less problems and conflicts than with governments in the past.

Mons. Diaz Merchan knew exactly how such an assessment would be understood back home in Spain. In the twilight years of the Franco regime bishoprics were left vacant for lack of the then mandatory agreement between Madrid and the Vatican. There were numerous acrimonious clashes between high-ranking clergymen and Franquista officials and there was even a special "priests" prison, where those in orders accused of associating with opposition political groups and with clandestine trade unions served jail sentences.

The mutual tolerance between church and state that governs the present relations has been developing over the years. Right at the beginning of his mandate Mr Felipe Gonzalez, who like most of the Government is a lapsed Catholic, travelled to Rome and when paying his protocol visit to the Vatican he showed himself to be remarkably badly briefed.

According to one account the Premier informed the Pope that many thousands of Catholics had voted Socialist and that his party had been endorsed by a number of churchmen in Spain. This was Mr Gonzalez's manner of reassuring the Pope. John Paul II was, however, appalled since it heightened his suspicions that a "runaway church" of "liberation" theologians had taken hold of Spanish catholics.

Since those inauspicious beginnings relationships have improved. On the one hand the Vatican and the Catholic hierarchy in Spain have grasped the essential point that the country has ceased to be confessional state. On the other the Socialists have understood that Catholicism is a social reality in Spain and that riding roughshod over the church is an act of major political folly.

The latter point has, in fact, become something of an article of faith for the thinking Left in Spain ever since the experience of the republic and the civil war in the 1930s.

The abortion debate illustrated the degree to which historical lessons and present realities had been digested by the two sides. Certainly the hierarchy publicly protested, as was to be expected, over the Government's decision to lift the strict Francoist bans on the termination of unwanted pregnacies. But the bishops did not put themselves at the front of huge rallies and demonstrations, as some hardline Catholics would have wished.

By the same token the Socialist Government stopped well short of abortion on demand legislation, which is what feminists and other groups were seeking and what many members of the cabinet privately believed should in fact have been legislated.

The restriction of abortion to cases in which the mother's life was endangered by childbirth, to cases of rape and to cases of the malformation of the feotus was a tacit admission of the power and influence of the church.

The issue of church schooling was another case in point. Here the Government simply sought to impose a measure of regulations and a series of guidelines governing private schools, which in practice usually meant schools run by religious orders, that were dependent on state subsidies.

The Conservative opposition and Catholic Parents Associations seized on the issue as an attack of freedom of education but the bishops, in the main, kept a discreet back seat.

The schools row was, in the event, far less divisive in Spain than it has been in other countries, notably in France. When the shouting was over and the legislation was on the statute books, the end result was that the church's presence in Spain's educational structure was on a far firmer basis than many had dared hope when the Socialists came to power.

To a great degree the church has come to terms with Spain's post-Franco non-confessional status, because it was the Spanish church itself, since the Second Vatican Council, which sought the separation between church and state.

The vast majority of the Spanish bishops and other church leaders and opinion makers prefer to operate within a lay society. The Catholic leaders have studiously remained politically neutral and, specifically, have refused to back a Christian Democrat Party.

The debate, between the politicians in power and the bishops, centres on the commitment by the lay, non-confessional state to respect, as the constitution lays down, religious worship. In the Spanish context this necessarily implies recognising the considerable impact of catholicism.

The chairman of the Episcopal Conference, Mons. Diaz Merchan, complained during 1985 that there was insufficient dialogue between the hierarchy and the Government.

He gave vent to his feelings in one interview when he criticised members of the administration who he said "start not from a lay premise, but from a standpoint that is hostile to the religious phenomena." At the end of the year, during the conference's plenary, Mons. Diaz Merchan delivered a hard-hitting speech that referred to "absolutist tendencies" in the Government and to the "statification" of society.

The leader of the bishops is nevertheless a prudent man who may sound alarm bells but will oppose a confrontational strategy. He has been Archbishop of Oviedo, Spain's coal mining province and a traditional left-wing bastion, since 1969 and he made a name for himself in the final Franco years through his support for trade union liberties. As president of the Episcopal Conference since 1981, Mons. Diaz Merchan has favoured a collegiate leadership and his prudence reflects the middle of the road caution of the majority of the conference's members.

The mutual tolerance, with the occasional frictions, that govern the church-state relations is founded on all that binds the church, society and state together in Spain. A survey prepared by the bishops last year established that 30 per cent of Spaniards regularly attend Sunday mass. The statistic is one of the highest in Europe and puts Spain almost on a par with Ireland and Poland. The bishops themselves found it "very encouraging."

Just as important, in terms of data, is the mutual dependence between the church and state. The church, and specifically the religious orders, plugs yawning gaps in Spain's educational and health care structure as well as in poor relief. In return the church received in the last budget Pta 11bn in direct state subsidies. The diocese that comes closest to self-financing itself is that of San Sebastian which manages to raise 50 per cent of its running costs through its own resources. San Sebastian, according to a well-placed Episcopal Conference source, is very much an exception.

Reform will be difficult task

Civil Service

DAVID WHITE

THERE IS, in Spanish bureaucratic usage, something called a *Balduque*. The word has a curious etymology. It comes from Bois-le-Duc, the French name of the town in the Netherlands better known today as 'S Hertogenbosch. That was the original source of supply for lengths of narrow ribbon used — in some ministries to the present day — to tie large packages of documents together. It means, quite literally, red tape.

The *Balduque* is just one of the many Napoleonic echoes in Spain's civil service. Cast in the French mould in the last century, Spain's public administration has kept all the vices of the French system while losing many of its virtues.

Counting 2m employees overall, it is not large by other European standards, but that does not mean it is efficient. Slow and narrow-minded, it is one of Spain's main handicaps in the EEC, membership of which adds considerably to the administrative burden it has to shoulder.

That bureaucratic habits have to change, Spain's political leaders are only too aware. But reform of the civil service is a battlefield on which many good intentions have already perished. Mr Felipe Gonzalez, whose Socialist Government has already launched several offensives with limited results, has found it to be "a titanic task."

From the moment they arrived in power three years ago, the Socialists set out to tackle privileges in the administration, and to oil its wheels. One of the Government's first directives was to ensure that offices opened at 8 am and that civil servants went back to work after lunch. It was immensely unpopular. Everybody in government offices — in some ministries up to the level of department heads — now has to clock in.

Proposals to end double employment, making it illegal to receive more than one salary from the state, have also been enforced, but it has taken time and has caused ructions all the way from the top of the scale, where part-time university posts are affected, to the bottom, where two salaries were sometimes needed to make ends meet.

A survey of jurists on the Council of State, the country's highest consultative body (another Napoleonic inspiration), found the average of jobs held to be two and a half.

Last summer, the Government embarked on reform of the salary system, paying civil servants according to their rank and post rather than, as was the case until now, according to the *Cuerpo* or corps they belong to. The *Cuerpos* for engineers, economists and so forth — are yet again a French borrowing, and there are about 300 of them.

Under the old system this meant hundreds of different pay scales and frequent glaring anomalies. People of identical rank received different salaries because they entered through different cuerpos, and sometimes underlings earned more than their superiors.

Reform, implemented to date in almost all ministries and due to be extended to regional administrations this year, has in some cases brought rises of over 50 per cent. The salaries attached to some other jobs have been cut, and their holders given the choice of applying for another post or accepting a lower salary.

The architects of this reform say, however, that the most important change is not in pesetas but in mentality. The pension system has also been restructured. About one in five civil servants now reaching retirement—those who have been in the administration only a short time—will fare considerably worse than they would have before, when pensions were considered recompense simply for having been in the system rather than for length of service.

These changes have been carried out with remarkably little fuss—something of a triumph of diplomacy in an area where territory is jealously guarded. One of the upshots of 36 years of Francoist dictatoship was a strengthening of the whole state apparatus, and the civil service became under Franco a den of political patronage and cosy sinecures.

The cuerpos date back much further—the system was consolidated in a 1852 law—but new ones were being created up to the 1960s. Selecting their own members through competitive examinations, they have been able to monopolise certain jobs. Centrist governments in the early post-Franco era tried to tamper with the system but came up against the vested interests of their own party members.

All parties agree the system needs changing, including the Conservative Popular Alliance. In a study of the civil service, it concluded that the advantages of the cuerpos—specialised competence, stability and a century's experience—were more than offset by the "feudalism" and "sclerosis" the system generated, by giving people jobs for life and preventing them from being moved to new functions in response to new requirements.

Mr Gonzalez would also like to see the administration becoming more flexible and more responsive to people's needs. His aim, he says, is that offices should settle bureaucratic procedures internally, saving the citizen from taking a whole series of different steps.

But the Government's ambitions of making bureaucracy work better have so far brought few results. A decade after Franco, a great gap still exists between the state's institutions and the general public. And, with the setting-up of regional governments throughout Spain, bureaucracy has swollen, often recruiting in haste, the new regional administrations tend to be as bad or worse.

Some procedures have been simplified—for instance, Spaniards over 30 have to renew their national identity cards only once every 10 years instead of five—but the queues at Government offices do not seem to get any shorter.

The administration is snowed under by requests for personal favours. The bartering of influence is an entrenched practice in Spain. "When I go to get a passport," admits a university don, "the first thing I think is: who do I know at the ministry?"

Meanwhile, a factory worker who returned after working in the EEC spent a year wandering from one office to another trying to ascertain his pension rights.

The consumer magazine "Cuidadano" recently railed against the "bureaucratic pilgrimage" imposed on the ordinary Spaniard. It protested about offices being closed not only on official holidays but during the frequent "bridges" between these and the weekend, and about some departments shutting for vacation not only in August but in July as well.

A poll of readers produced only 5 per cent who thought Spanish bureaucracy was "efficient." Nobody thought it "very efficient." Complaints, in order of importance, were slowness, over-complex paperwork, lack of information and waiting-in-line.

And the complaints come not only from the public, but from the Government itself. In its drive against tax avoidance, it has been reorganising and beefing up its inspection network. "It is hard," says one senior Socialist figure. "They are all chiefs, and not Indians."

Spain and the EEC 11

Those that live in the limelight

Society

DAVID WHITE

IT MIGHT have been the King, who celebrated his 10th coronation anniversary last year, or his heir the Prince of Asturias, who started as a military cadet, or perhaps the veteran bullfighter Antonete, who finally retired; instead 1984's personality of the year in Spain, beyond any doubt, was Isabel Preysler.

The name is as much a household one in Spain as it is unfamiliar to most foreign ears. Since she arrived from her native Philippines as a teenager, the dainty and stylish Miss Preysler has climbed her way to the seats of glamour, titles and power, and is now enthroned as undisputed queen of two Spanish institutions—the summer jet-set of Marbella, and the Prensa de Corazon, or glossy heart-throb press.

It is a story almost to rival that of Lou Salome, the Russian-born beauty who became a companion to the philosopher Friedrich Nietzsche, the poet Rainer Maria Rilke, and later to Dr Sigmund Freud. Miss Preysler has been the wife, first of the singer-idol Julio Iglesias, then of aristocrat and entrepreneur the Marquis of Griñon and subsequently the consort of Mr Miguel Boyer, socialist "superminister" for the economy, who resigned his post last July.

The friendship, already the talk of the country, was made official on his departure from the Government. And it was to Marbella, home of sheikhs and society parties, Spain's ostentatious answer to Monte Carlo, that the famous couple then repaired.

In a bumper year, the leading glossy weekly !Hola! had one more surprise up its sleeve, by presenting Miss Preysler, a regular figure on its pages, as a member of its writing staff, hired to interview other stars for a monthly sum that remains undisclosed but was reported to be much more than that earned by a minister.

The heart-throb press, which its editors prefer to call the "colour press" or "evasion press," is big business in Spain. Reaching an estimated 10m readers, mostly female but in all class brackets, it comprises six glossy weeklies—!Hola!, Diez Minutos, Semana, La Revista, Lecturas and Garbo. There are also two cheaper and shoddier versions, Pronto and Indiscreta.

Mr Jaime Peñafiel, who left the editorship of !Hola! a year ago to set up the rival La Revista for the large Zeta publishing group, estimates total sales for the glossies at Pta 15bn (about $100m) a year.

!Hola! the oldest, with a circulation of around 500,000, still leads the field and can be considered essential reading for students of modern Spain. Founded in 1944, in the bleak and austere early years of the Franco era, a welcome trivial diversion, permissible under the strict press controls of the regime, it has remained true to its conservative nature.

It tends to stick to the same old figures, or their progeny, including the Franco family itself. It recently recruited *Gen Franco's grand-daughter*, Carmen Martinez-Bordiu, who happens to be a close friend of Miss Preysler, as a fashion correspondent.

But these big-name contributors are not the only people to make money from !Hola! and its rivals. Many of those who feature regularly are paid directly or indirectly. Competition for their "exclusives" is intense. Nobody reveals the sums involved, of course. !Hola! denied that the Marquis of Grinon received Pta 15m for an interview. But Mr Peñafiel says the practice of payment is now universal.

"If they say they don't pay they are lying or haven't enough money to pay," he says. He claims he fought against it and that he himself refuses to negotiate directly with the personalities. But he admits: "I have paid, and I continue to pay, and I am sorry for it."

An attempt was made at a truce in the cheque-book "exclusives war" through a meeting called by the Spanish Press Association last year, but *it fell through*.

"The lack of solidarity has reached sub-human levels," Mr Peñafiel complains. "One thing is competition. Civil war is another."

However, he does defend the magazines' joint record in resisting pressure from people who want to pay to appear. None of them, he claims has ever sold a page, and to that extent it is "healthy journalism."

"In the summer the undisputed centre of this glossy world is the "jet society."—also known as the "cafe society" and "demi-monde" — which congregates in Marbella.

Its self-indulgent antics were too much last year for the local bishop in Malaga, who vented his wrath on its unseemly extravagance, and one Madrid daily ran a holiday column under the heading "Marbella and Gomorrah."

Among the main protagonists of this scene is Gunilla von Bismarck, great-grand-daughter of the Iron Chancellor. Described by one interviewer as "a *tall and phosphorescent* siren," she complains of her family having lost four castles in the Second World War and now occupies a house near the exclusive Marbella club. Her comments make her a self-appointed spokesperson for the "jet society."

High society is a necessity, *she told her interviewer*. "I hate vulgarity, and the aristocracy represents breeding, class . . . there will always be different classes, and there will always be privileges. Besides, people like to see how high *society enjoys itself, and like* to imitate them, dress like them. They need all this because otherwise their lives would lack any sense."

She refused to say where she or her husband had their *sources of income*, said she hated getting up in the morning, was "afraid" of socialism and admired General Franco and his family.

The magazines whose readers follow her and other Marbella regulars such as the Duchess of Seville and Sophia of Hapsburg on their social circuit are less explicit about their politics. Mr Peñafiel claims to have done a lot for the former centrist prime minister Mr Adolfo Suarez by showing his private side.

His magazine is open-minded about electoral allegiances. "We are *for the winner*, whoever it may be," he says.

But he is certain of one thing: "If Isabel Preysler were to join a party, she would get a lot of voters."

Hopes of progress fade

The Basques

TOM BURNS

Tear gas is used on demonstrators outside the seat of the Basque Autonomous Government

TENS OF thousands rallied in December to the call of Basque Separateness and separatism following the mysterious death of an ETA suspect. A week later, just before Christmas, the ETA shot a general dead. As 1986 began ETA was holding a prominent Bilbao businessman to ransom.

Assassinations, violent demonstrations and kidnaps marked the end of 1985 and the start of the New Year in Euskadi, and the terror-weary Basque in the street could be forgiven for asking "what's new?"

The tragic irony is that last year had started on a hopeful note. There was a new man holding the post of Lehendakari or prime minister of the Basque government and the mood was one of reasonableness.

The new lehendakari and the moderate nationalists of the Partido Nacionalista Vasco (PNV) who backed him entered into a legislative pact with the PSOE in the Basque parliament in Vitoria. Best of all, by the spring Mr Jose Antonio Ardanza, the lehendakari, and the PNV, were using new language, strong and to the point, to condemn ETA violence.

By the year's end the legislative pact was full of irreconcilable differences and March seemed a long way behind. Then Mr Ardanza had called on Basques to "Overcome their fear of fear" and to make no compromise with those who kill, those who support the killers and those who remain silent."

The PSOE, from Prime Minister Felipe Gonzalez and his Cabinet down to the most junior socialist MP in the Vitoria Basque parliament, had enthusiastically applauded what seemed an end to past PNV ambiguities over the issue of terrorism.

Nine months later Mr Ardanza and his party were nevertheless sucked right back into the tribal political patterns of the region. An ETA suspect, Mr Mikel Zabala, allegedly drowned in the Bidasoa River that marks the frontier with France, while attempting to escape police who had arrested him in San Sebastian hours earlier.

This mysterious death prompted an emotional outpouring of Basque anger against Madrid that was ably stage-managed by Herri Batasuna (People's Unity), a coalition of extreme nationalists which acts as ETA's political front.

Mr Ardanza and his moderate constituency were either unable or unwilling to check the Basque backlash, the so-called "nationalist family" that extends right across the ideological spectrum to embrace bourgeois, church-going PNV supporters and Herri Batasuna firebrands who preach ecology and revolutionary Marxism closed ranks against Madrid and the "boot of Castile."

The PSOE, at the start of this year, was accusing Mr Ardanza and the PNV of gross "irresponsibility." Mr Jose Maria Benegas, chairman of the Basque socialists and an influential member of the PSOE executive, ruefully admitted that the atmosphere of dialogue and incipient trust with the moderate nationalists had broken down.

ETA's specific response to the death of Mr Zabalza was to shoot dead a retired civil guard general, Gen Juan Atares. He was singled out both because of his membership of the civil guard (Mr Zabalza was in the custody of the corps when he died) and because of the extreme Right-wing views he held and which had earned him some notoriety in the immediate post-Franco period.

As the full circle appeared to turn in the Basque country during the year one conclusion was that ETA remains a permanent reference point in Basque politics. Politicians and political parties were defined and defined themselves through their relationships with ETA and through their suggestions for ending the violence.

The stock PSOE "pacification" platform is to demand that the gunmen surrender unconditionally. The hardline nationalists seek a negotiation process and the PNV veers *between the two* positions. The year in Euskadi was punctuated as much by terrorist attacks as by speculation, every time there was a lull in the violence, that ETA was operating a truce and that discreet talks were in motion between Madrid-directed middle men and the gunmen.

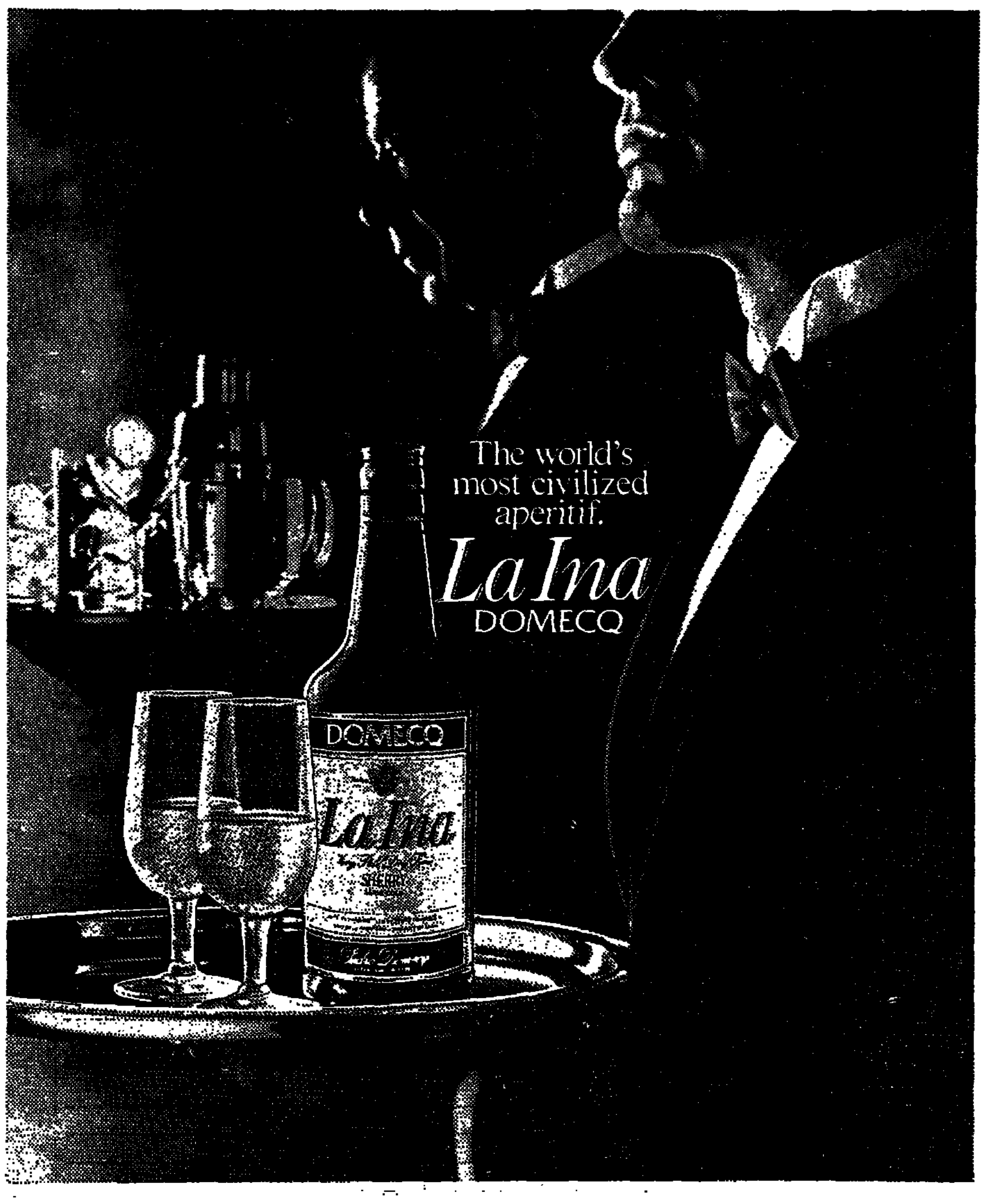
Madrid's Interior Ministry reacted angrily to such speculation. Lulls in the violence, countered Mr Jose Barrionuevo, the Interior Minister, had nothing to do with truces and talks and simply demonstrated instead that ETA was weakening and unable to mount a succession of attacks as in the past. In fact the number of ETA victims during 1985 rose to 37 against 34 the previous year.

There was little hard evidence to show that the gunmen had weakened despite the continuing clampdown by the French authorities on the exiled Spanish Basque community in South West France —the so-called safe haven area for ETA in former years. Mr Barrionuevo and his team made much of letters from ETA's operational chiefs to the gunmen in the field which were found on a detainee and which seemed to indicate that the terrorist hierarchy was concerned about flagging morale and general inactivity on the part of its militants. The increased violence at the end of the year, however, suggested that the Interior Minister was being unduly optimistic.

Talk of a weakened ETA seemed premature in a year when the organisation was able to gain considerable publicity through a beach bomb campaign along the Mediterranean tourist resorts, resurrecting a tactic employed five years earlier. In addition, the terrorists succeeded in detonating a car bomb in the centre of Madrid, the first time they had done this in the Spanish capital. The bomb was directed against a busload of civil guards who escaped serious injury.

The prospects for a 1986 free of further terrorism are bleak. This is due principally to the general elections that will be staged later this year and which necessarily will impede bridge-building between the PNV and the PSOE.

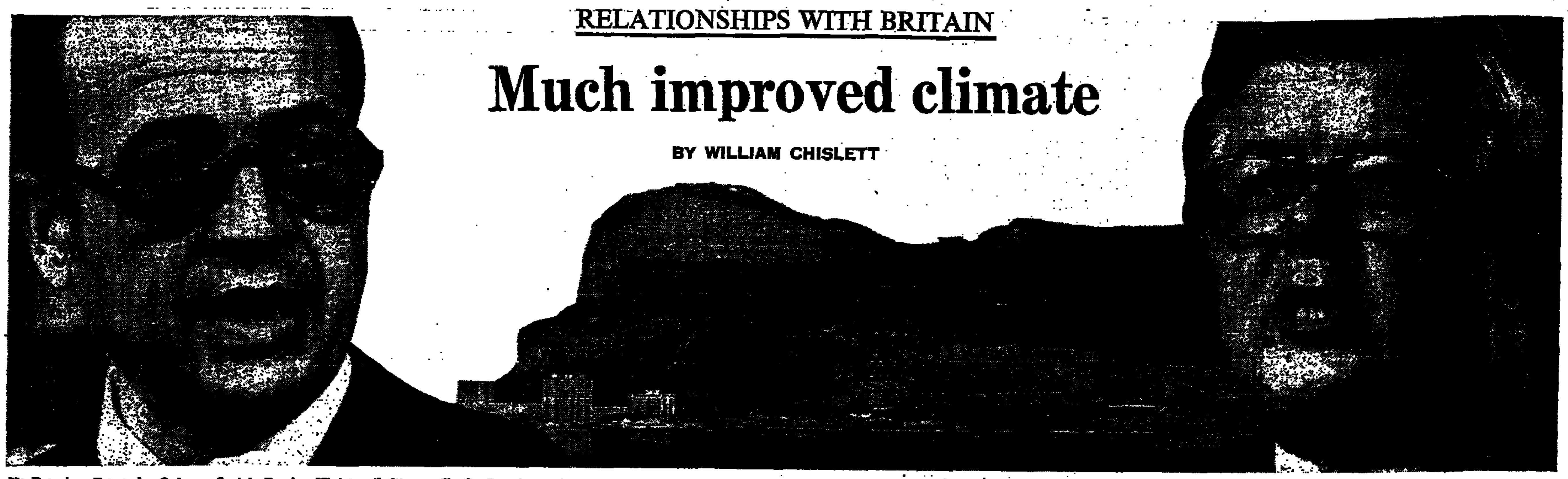
The polls exacerbate the rigid demarcation lines between Madrid and the Basque country. The longstanding policy of winning over the moderates and isolating the gunmen will have to await more fortuitous times.



RELATIONSHIPS WITH BRITAIN

Much improved climate

BY WILLIAM CHISLETT



Mr Francisco Fernandez Ordonez, Spain's Foreign Minister (left) and Sir Geoffrey Howe, UK Foreign Secretary (right). While Gibraltar remains an intractable problem, commercial and political relations between the two countries are nonetheless good

THE state visit of King Juan Carlos to the UK in April will set the seal on markedly improved relations between the two countries.

Since he became king in 1975, after the death of the dictator General Franco, and democracy was gradually restored, Juan Carlos has fervently wanted to be received at Windsor Castle by Queen Elizabeth and Prince Philip to whom he is related. But the issue of Gibraltar, over which Spain claims sovereignty, has always been a rock in his path.

The king has been welcomed in the main capitals of the West and the Communist world, but only now, almost a year after the re-opening of the frontier gates between Spain and Gibraltar, which Franco closed in 1969, is it possible for him to be accorded full honours in London. Previous visits to the UK—to hunt with the British aristocracy or visit his brother-in-law, ex-king Constantine of Greece, have been private and unpublicised.

That it has taken 10 years to achieve the visit has been a source of great frustration to the Spanish and British royal families. The sensitivity of the Gibraltar issue can be gauged from the fact that the king cancelled his invitation to attend the wedding of Prince Charles in 1981, when it was learned in Madrid that the couple were to begin their honeymoon on the Royal yacht docked in the colony.

While Gibraltar remains an intractable problem, commercial and political relations between the two countries are nonetheless good. Spain, already the UK's tenth largest export market, will present many opportunities for Britain to exploit, as Madrid dismantles its high tariff barriers.

The two countries signed an extradition treaty last year which could mark the end of the long Spanish holiday British criminals on the run have been enjoying for many years.

But it is still Gibraltar which, like the Rock itself, looms over the relationship. Last month Sir Geoffrey Howe, the UK Foreign Secretary, and Mr Francisco Fernandez Ordonez, the Spanish Foreign Minister, had the first talks of substance, rather than discussions on the framework for discussions, under the Brussels agreement of 1984 which set up a negotiating process whose brief includes sovereignty.

Madrid does not question Britain's legal claim to Gibraltar, which was ceded to it under the Treaty of Utrecht of 1713, though Spain does take issue with the UK's right to the isthmus on which Gibraltar airport has been built. Spain's case is based on anti-colonial arguments — Gibraltar is described as "Europe's last colony."

The talks were cordial but tough. The state of play was best summed up by Sir John Hassan, the Chief Minister of Gibraltar, who, making his first trip to Madrid in 20 years, told the Spanish side privately that the present generation of Gibraltarians had made up its mind to remain within the UK ambit, but that did not mean that future generations would not take a different view, or that today's people would seek to tie the hands of the next generation.

It is a small detail, but nonetheless telling that Sir Joshua, long the bête noire of the Franco regime, was well received in Madrid. Spain has not changed its fundamental position, but it has modified its strategy and tone.

The UK, for its part, has not changed its commitment to honour the wishes of Gibraltarians, as laid down in the preamble to the colony's 1969 constitution.

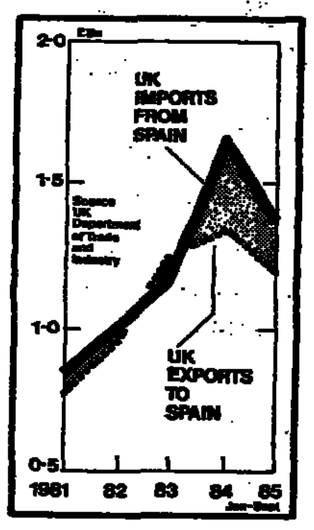
But Spain's proposals for an interim settlement involving either an arrangement for Spain to lease Gibraltar back to Britain—like Hong Kong—or a power sharing deal were not rejected out of hand at the meeting, as this would have soured relations. Nonetheless the UK made it very clear that it did not see a political settlement in the offing.

No new proposals have been put forward. There is thus the danger, realised by both sides, that discussions on sovereignty are going to be extremely protracted and that the Socialist Government in Madrid, or more probably a right wing nationalistic government in the future, should such an administration come to power, could be tempted to vent its feelings of frustration for political reasons.

"The UK should realise that Gibraltar is not just a flag which the Spanish Government waves," says a senior Spanish diplomat. "The feelings go much deeper than this. It could blow up and become an issue for the right."

Spanish officials believe that Gibraltar should not have a permanent right of veto. At the same time London believes that it cannot impose a temporal straitjacket on Gibraltar, since this would implicitly recognise Spain's right, and go back on UK commitments.

Realising that a large part of the problem lies in the feelings of mistrust and resentfulness which have built up in Gibraltar after the border was closed, Madrid knows that it must first win the hearts and minds of Gibraltarians and persuade them that they have nothing to fear from democratic Spain.



"We recognise that Gibraltar is a peculiar mix of people as a result of an historical accident," says one Spanish official, "and we would treat it accordingly."

The closing of the border created economic and social hardship—with families on both sides shouting to one another through the fencing—and created a siege mentality. Franco miscalculated when he thought that by isolating Gibraltar it would eventually fall into Spain's lap like a "ripe fruit."

Sir Joshua Hassan used to tell Spanish visitors Aesop's fable of the wind and the sun. They had a competition to see who could first make a traveller take off his coat. The wind (read Madrid) scowled and the traveller tightene dhis coat. The sun smiled and he took it off.

In this light Spain re-opened the border. Over 2m people have visited Gibraltar since the border was re-opened compared with 150,000 visitors in 1984, and there have been no unpleasant incidents, to the surprise of UK officials who feared that it might be necessary to strengthen the police presence on the Rock. "Gibraltarians like the Spanish way of life, but not their institutions," says one UK official.

Spain has opened its air space to civilian flights in and out of Gibraltar, but failure to agree on sharing control of airport facilities has prevented resumption of regular flights between Madrid and Gibraltar.

Spain does not believe that its citizens should have to pass through British immigration controls if they use Gibraltar as a back-door to the Costa del Sol on an internal flight, but such recognition of Madrid's authority would implicity underpin Spain's sovereignty claims.

Technical discussions on a possible solution—such as a double exit system so that passengers could disembark directly into Spain—have got bogged down in political matters.

The already complex situation is also further compounded by the Moroccan threat to pounce on Spain's North African enclaves of Ceuta and Melilla should Spain gain sovereignty over Gibraltar. Spain regards the enclaves as an integral part of its territory and dismisses any parallels with Gibraltar.

Nonetheless, were Spain to acquire Gibraltar its position on the enclaves would be less tenable and Moroccan military action in Ceuta and Melilla would throw Spain into crisis.

Spain would probably also find it even more difficult to press its claims on Gibraltar if the country pulls out of Nato in its expected March referendum. Gibraltar is a vital surveillance and communications centre for South-West Europe. The UK has a bird's eye view from Gibraltar on passing Soviet warships and submarines.

Trade between the two countries, however, is almost unaffected by the Gibraltar factor. UK exports rose 30 per cent in the first nine months of 1985 to £1.2bn and imports from Spain increased 16.4 per cent to £1.38bn.

Britain's main exports are petroleum and petroleum products, vehicles, metalliferous ores and scrap metal. Spain's are also vehicles, petroleum, fruit and vegetables.

As Spain becomes more affluent and tariffs are reduced, UK officials expect the trade to move in Britain's favour. The Spanish market is regarded as one of great potential (the region of Catalonia alone imports more from the UK than China does). "Even if companies do not make profits to begin with, they should still sell to Spain to establish a presence," says a senior UK trade official.

Gibraltar "grit," however, has got in the way of some Defence sales to Spain, potentially a very lucrative market as the Spanish armed forces modernise themselves in or out of Nato.

When the UK bid along with France and the US for a ground to air defence system for Spain, the UK's Rapier was reportedly considered the best buy in Madrid. But the Government felt uncomfortable buying armaments from the power which controls Gibraltar, and bought the French system, after Paris moved to accommodate Madrid over tightening up on Basque terrorists living in France.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday January 20 1986

INTERNATIONAL BONDS

Jumpy market looks to luck as pricing tactic

IT WAS a nervous week in the Eurobond market, writes Maggie Urry in London. Midweek, investors' hopes of interest-rate cuts were raised by the prospect of the Group of Five meeting at the weekend. However, by Friday, few expected much to come out of it.

With the fixed-rate Eurodollar bond market ebbing and flowing with the New York tide, it was a week when the pricing of new issues owed as much to luck as genius. There is an argument in the market that if an issue continues to trade at the yield margin to US Treasury bonds on which it was launched, it is correctly priced, partly because banks' positions can then be hedged in the futures market. If the spread widens, according to the proponents of the theory, the lead manager has got it wrong.

Others say issues should be priced so that co-managers do not make losses at the first breath of a chill wind in the market. Such a deal was Saab-Scania's, launched on Thursday morning. It survived a market fall that afternoon and ended the week trading just within its selling concession, and was regarded by many as deal of the week.

Where in this framework does Italy's first fixed-rate Eurodollar deal come? The issue was controversial, as lead-manager Chemical Bank International was accused of "buying" the mandate with far too aggressive terms. It is Chemical Bank's first deal for some years and presages an expansion in the market which the bank hopes will lead to more mandates.

The issue was launched at a spread of 20 basis points over Treasuries and many syndicate managers who failed to win the deal said that for such a credit a spread of at least 40 basis points was necessary. For a first issue pricing, however, it is considered something of a shot in the dark. The co-management group lacked many notable names in the market, who no doubt would have liked to win the mandate on their terms, although a large group of banks was assembled.

Chemical Bank defended the pricing and supported the issue in the market. By Friday evening, though, the spread had widened, as it had on other deals last week.

Traders in the floater market are a little perplexed by investors' lack of enthusiasm for some recent issues, despite rare and good names, with fair terms. An exception was a rush for Bank of Boston's deal on Friday, which was increased twice to $250m and still traded around 99.92, well inside the 42½-basis-point fees.

The poor state of the D-Mark floater market is such that even a good sovereign name – Austria – offering a generous margin over London interbank offered rate (Libor), could not combat the market's dislike of maximum coupons. In this case, the cap is set at 8 per cent, well above current rates. On Friday the bonds were quoted as low as 99.00, well outside the 73-basis-point fees. Bankers are now talking of a halt being called to new floater issues.

The fixed-rate D-Mark market is in good shape, however, and today the European Investment Bank is expected to make the first real test of it this year with a deal of perhaps DM 300m.

The Euroyen market has already seen a good volume of new issues this month, and rumours of deals amounting to as much as another Y200bn are circulating. Canada alone is expected to bring a deal of up to Y100bn.

While much of the paper seems destined to end up in Japan, some traders argue that there is now a good market in Europe with the Swiss and other continental European investors beginning to nibble at new deals. The fixed-rate issues should fare better than the dual-currency deals, which were generally only brought when lead managers had sufficient demand in the Far East to place most of the bonds.

Swedish Export Credit is doing its bit to open up the international capital markets, launching on Friday a DKr 300m issue which has a DKr 700m tap, making it easily the largest issue in the sector. It is innovative in that it will be listed within Denmark as well as in Luxembourg. It was trading well inside the fees.

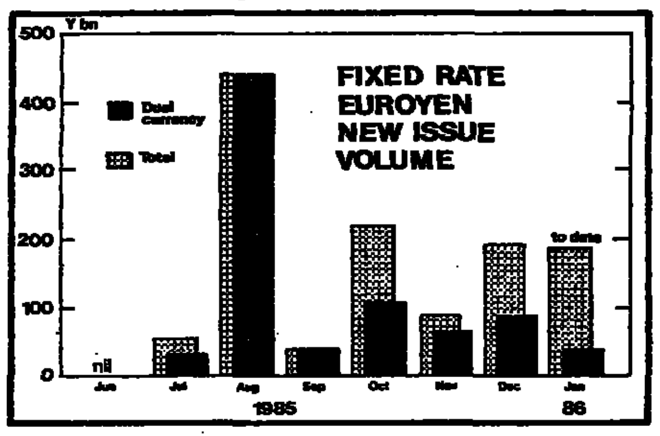
The Swiss franc foreign bond market continues its strength. Most new issues have been well received and with the new lower commissions even more borrowers may be tempted into the market. The World Bank's 30-year issue was well received, Asian Development Bank's zero was priced with a yield almost ¼ point below the indication, Settsu Paperboard's yield was also cut, and Générale Occidentale's issue was increased from SFr 100m to SFr 125m.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
US$	2,759.9	0.1	35.0	211.2
Prev	2,304.1	140.9	816.0	157.0
Other	1,061.0	0.7	464.2	85.7
Prev	696.9	0.2	511.0	97.5
Secondary Market				
US$	19,000.7	1,001.9	16,003.1	2,037.4
Prev	7,759.6	409.3	4,563.2	1,390.1
Other	5,798.4	167.7	3,244.1	2,212.6
Prev	2,385.2	72.5	625.7	1,697.3

	Cedel	Euroclear	Total
US$	12,859.6	28,189.7	41,049.3
Prev	6,039.4	11,499.9	17,539.3
Other	6,224.9	6,737.4	12,962.3
Prev	3,307.8	2,778.6	6,086.4

Week to January 16 1986 — Source: AIBD



Japanese trust aims at female investors

BY YOKO SHIBATA IN TOKYO

AN INVESTMENT trust designed for young Japanese women with an exposure to well-known foreign brand names in fashion, cosmetics and leisure, will be established next month in Luxembourg by Yamaichi Investment Trust Management, an offshoot of one of Japan's big four securities houses.

The open-ended fund, to be called Top Brand Fund International will have assets of around $50m. Its portfolio management will be by a leading British fund manager.

Half the entrusted money will be invested in foreign government and corporate bonds, aiming both for high return and stability. This is partly because Japanese women are regarded in the industry as conservative in investment matters.

The remainder of the fund, however, will be invested in shares of listed companies which make electronic appliances and other consumer equipment, cars, alcohol, cigarettes, textiles and clothing, as well as in banks, retail stores and telecommunications.

Under an agreement with Warburg Investment Management Jersey, the funds will be managed by a team of four at the British company, headed by Mrs Carol Consuelo Brooke.

Of the total 20 per cent will be sought overseas. During the past two years, Japanese securities houses have eagerly courted the country's housewives, who have become more aware of their financial potential. An estimated 80 per cent of household finances is controlled by housewives.

Some of these women have already a finely-honed financial expertise, to the extent that they been dubbed "Zai-tech-wives." ("Zai" means finance in Japanese).

However, Yamaichi Securities has decided to look ahead to a new generation of young unmarried women. According to the findings of a Yamaichi survey on its own single female employees, young unmarried women have a relatively high level of savings, although these are earmarked for spending on trips abroad to buy designer accessories and clothing. Inspired by this, Yamaichi decided to launch an investment trust which would emphasise both spending and investing.

EURONOTES AND CREDITS

Banks jostle for position in ferocious bidding as year shapes up

THE EUROCREDIT and Euronote market ended last week tantalisingly close to terms on several major deals that should set the tone for the first part of 1986, writes Peter Montagnon in London.

The details of Sweden's proposals for restructuring the $4bn facility it arranged in 1984 are due to be revealed soon. Also waiting in the wings is a $500m, 10-year facility for Thailand as well as a major borrowing by SNCF, the French railways, and a $250m credit for Standard Life Assurance of the UK.

A common feature, bankers say, is bidding on new business which has become ferocious as banks jockey for market share at the start of the year. The question remains as to how very finely priced deals will be received by the market at large, especially since the spectre of more central bank regulation was raised by the Federal Reserve last week with its draft proposals on capital requirements.

Among other things the requirements propose that commitments under note issuance facilities should be given a 30 per cent weighting in calculating risk asset ratios under the new system.

For the time being, however, it is assumed that new deals will emerge on very fine terms indeed. Standard Life Assurance, for example, has indicated that it expects bids on its deal to include a margin no greater than ⅛ per cent, while a key benchmark for both the SNCF and the Swedish deals will be the 5 basis points facility fee awarded to Gaz de France last year.

This puts bankers in something of a quandary, as the Gaz deal was not particularly well received when it finally entered syndication. This may have been because of the way lead managers were hustled into the deal by the borrower itself, but it also suggests limits on pricing.

Of course SNCF could not be seen to be paying more than Gaz, and that, some bankers believe, adds to the attraction of a different structure, such as a partly paid floating-rate note, which makes comparison particularly difficult.

The Swedish deal also poses a pricing problem because it is a renegotiation. Terms on these are not necessarily indicative of the market for fresh loans, because they depend partly on the degree to which the borrower is persuaded of the need to sweeten them to keep existing banks in the syndicate.

Mr Peter Engstrom, the Swedish National Debt Office director who has masterminded the refinancing of most of his country's floating-rate debt over the past few years, is thought none the less to have driven a hard bargain. Apart from the fact that this will be a very large deal, suspense is growing because many bankers believe it could be one of the last that Mr Engstrom negotiates for Sweden. As recently as Friday night he declined to comment on persistent market rumours that he is to move into banking at senior level with a major Swiss house in London.

Hotly tipped for the Thai deal is a group comprising Chase, Chemical, Industrial Bank of Japan and Lloyds. Negotiations were nearing completion at the weekend although no formal mandate had been awarded. This will be Thailand's first facility. It will go towards replacing two more expensive standby credits arranged in 1983 and 1984 which are still undrawn.

Bankers say there is not likely to be any spillover of the ill-will that Thailand encountered when it forced a split margin of ⅛ rising to 3/16 on a Y70bn credit last September. However, its recent borrowings in the floating-rate note market have met a lukewarm reception. At the very least its new operation should provide some indication of how its rating is regarded at a poor time for Far East economic growth.

Citicorp will shortly be launching a $100m Euronote facility for the Australian Mayne Nickless group. It is also agent on the renegotiation of the $118m balance of a $150m deal for Italy's IMI-Isveimer originally arranged in 1982. Part will now carry a margin of ⅛ per cent until maturity in 1990 and the rest ¼ per cent until 1994.

Pulp mill to resume

BY ROBERT GIBBENS IN MONTREAL

THE ITT-Rayonier pulp mill at Port Cartier, 1,120 kms north-east of Montreal, will resume production in 1987 under an agreement between the federal and Quebec governments and Cascades, a fast-growing Quebec pulp and paper company.

The federal authorities in Ottawa have, however, refused to provide any grants or loan guarantees to assist the revival. This is partly because of pressure from other pulp and paper companies which argue that the pulp market is already over supplied and prices are very weak.

The ITT-Rayonier dissolving pulp mill cost C$400m (US$285.4m) in the mid-1970s and was the largest of its type in North America. However, it was forced to close in 1979 after accumulating C$600m in losses, due mainly to high wood costs, labour problems and lower than expected prices in the world rayon markets. ITT Corporation, the owner, took a $320m write-off to cover the cost of the shutdown.

Cascades will use only part of the mill, and will convert this section to production of bleached chemi-thermo-mechanical pulp. It will use most of the output in its own sanitary and other paper products plants in eastern Canada. The company also operates on a small scale in the eastern US and in France.

Terms of the deal with governments and the capacity of the new operation will be announced later this week.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Interest rate rumours lift bond prices

AFTER THE previous week's dramatic shakeout in the US credit markets, bond prices recovered last week as speculation mounted once again that interest rates might be headed downhill in the coming months.

A combination of falling oil prices (good for inflation prospects) and some positive thinking about the outcome of the weekend's meeting of the Group of Five was enough to banish the previous week's unease about the unexpectedly strong December employment figures.

There was plenty more economic news last week which could have been interpreted equally bearishly. A 1.9 per cent rise in December retail sales was surprisingly high and the 0.7 per cent rise in last month's industrial production figures signalled that the year-long slump in US manufacturing was over.

But the credit markets chose to ignore these signs of an increasingly robust US economy and, instead, were swayed by fresh rumours of lower interest rates.

US MONEY MARKET RATES (%)	Last Friday	1 week ago	4 wks ago	12-month High	Low
Fed Funds (weekly average)	7.95	7.88	8.21	8.81	7.10
Three-month Treasury bills	7.11	7.20	7.07	8.75	6.67
Six-month Treasury bills	7.21	7.30	7.10	9.20	6.81
Three-month prime CDs	7.56	7.94	7.75	9.40	7.33
30-day Commercial Paper	7.73	7.75	7.80	8.85	6.96
90-day Commercial Paper	7.65	7.65	7.63	9.20	7.00

US BOND PRICES AND YIELDS (%)	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	98⅝	+⅛	9.11	(new)	(new)
20-year Treasury	97¼	+1⅛	9.05	(new)	(new)
30-year Treasury	104⅛	+1½	9.44	9.58	9.28
New 10-year "A" Financial	n/a	+⅛	10.00	10.05	9.88
New "AA" Long utility	n/a	n/a	10.63	10.63	10.25
New "AA" Long industrial	n/a	—	10.50	10.50	10.25

Source: Salomon Bros (estimates).

Money Supply: In the week ended January 8 M1 rose by $3.9bn to $628.5bn.

Despite some nervous selling at the week's end, traders had bid up the price of the Government's key long bond, Treasury 9¼ per cent due 2015, by a net point and a half on the week to 104⅛ where it yields 9.43 per cent. Meanwhile, short-term interest rates fell by some 13 basis points, taking the yield on six-month treasury bills, for example, down to 7.23 per cent.

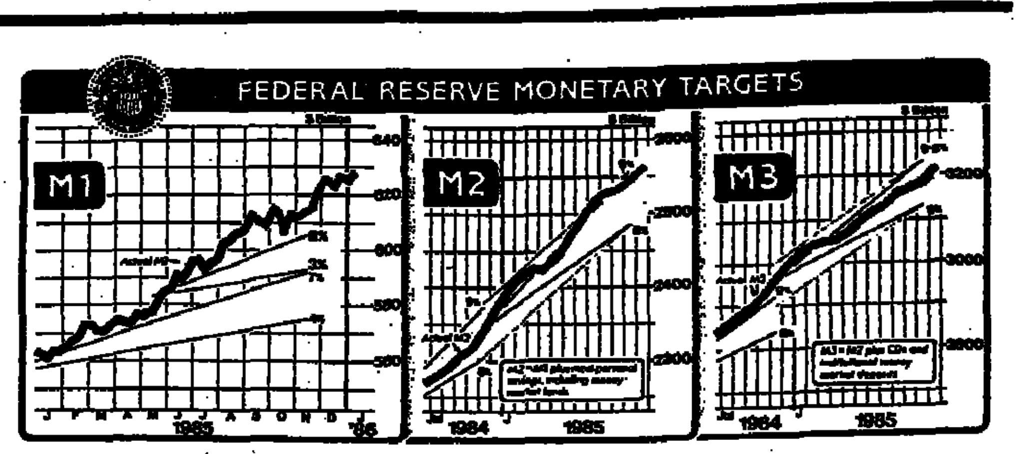
The credit markets' recovery began on Tuesday but really took off on Wednesday morning after Mr Martin Bangemann, the West German Economics Minister, told reporters that Mr Baker, the US Treasury Secretary whom he had just met, was "very much interested in having everybody lower interest rates."

Given the normal secrecy which is supposed to cloak the deliberations of what traders dub the "Gang of Five," this seemingly innocuous remark was quickly repackaged into a confidential leak that the major industrialised countries were about to launch a concerted effort to drive down world interest rates.

It sounds a great idea, and no doubt there are some major countries which would favour such an attempt. But ahead of the meeting most Wall Street analysts were sceptical about the success of any such move. In particular, they doubted whether Mr Paul Volcker, the Federal Reserve chairman who was attending the meeting, would alter course just to please Mr Baker and his finance minister pals.

The next few days will reveal whether their caution was justified. In the absence of any concrete initiative on the interest rate front, many traders believe that the US credit markets could weaken in the short term.

Some prices, particularly at the short end of the market, are allowing for a cut in the US discount rate, and the longer this takes to occur the more vulnerable the market becomes. Indeed, its potential problems could be exacerbated if there is any further evidence of an acceleration in the US economy. In this context, next Wednesday's preliminary Gross National Product (GNP) figures for the fourth-quarter could be significant.



The market is expecting the growth rate to be in line with last month's "flash" report showing a 3.2 per cent rise. Analysts will also be paying unusually close attention to the Federal Reserve's money market operations.

The Fed has been very aggressive in supplying reserves lately, with the result that in the latest period bank borrowings at the Fed's discount window have fallen to a nominal $143m. Many technical factors could explain the fall but, if it persists, it will fuel speculation that the Fed has loosened its credit strings.

Despite the recent strength of some US economic indicators, there is still considerable uncertainty about the strength of the domestic economy and this is complicating the Fed's monetary management. IBM, one of the pillars of the business establishment, reported last week that notwithstanding a very strong fourth quarter, "there is an absence of convincing evidence" the North American economy is showing sustained improvement." IBM is approaching 1986 "with caution" and its message will be echoed by many other leading companies.

Although M1 is well above its target range, last week's monthly figures showed that both of the broader measures of the US money supply, M2 and M3, were close to the bottom of their target ranges in December. If the economy is as sluggish as some suggest in the early part of 1986, the Fed should be able to ease its monetary stance, argue some Wall Street economists.

William Hall

UK GILTS

German White Knight in timely intervention

MR MARTIN BANGEMANN, the West German Economics Minister, is an unusual White Knight for the UK money markets. Last week, however, he managed to send gilts up by a point in the space of five minutes. What makes Mr Bangemann's rescue still more peculiar is that it resulted from a misunderstanding of who he had said in Washington about the possibility of a co-ordinated interest rate cut by the Group of Five finance ministers who met in London yesterday.

The authorities in London are duly grateful for Mr Bangemann's intervention. It came at exactly the right moment to soothe the market and reinforce their own steps on Tuesday to head off another rise in base lending rates. And it was, perhaps, appropriate that one political misunderstanding should lay to rest the immediate fall-out of another—the Government's little local difficulty over Westland.

A week earlier, the Bank watched with equanimity as base rates moved up to 12.5 per cent. Against the background of deteriorating unit labour costs and resulting longer-term inflationary fears, the authorities saw bank lending growing strongly while the pound dribbled downhill. With no cut in the US discount rate to help out, they moved decisively to meet the money markets' pressure for a rise.

But enough is enough. A one point rise, when all the expectations had been that the next move would be downwards, was expected to have a stronger effect than in last January's less confident atmosphere. It might have without Westland, despite the renewal last week of the slide in oil prices.

Westland, in the authorities' view, was purely a "temporary factor," and the City's excitement about it wholly unjustifiable. Officials point to the fact that foreign exchange dealers — suave men of the world, all — remained relatively calm while the money markets, with their more domestic outlook, went wild.

How much of the foreign exchange markets' calm was due to official buying is not clear, but some of the Westland ripples appear to have reached overseas.

"Rumblings affect only the domestic investors and not the international," said Mr Robert Thomas of stockbrokers W. Greenwell. "But as soon as you get resignations the foreigners start to pay attention."

Westland has certainly helped bring political calculations forward into investors' minds.

"As the New Year begins people look further ahead and they are beginning to see Mrs Thatcher with feet of clay," said Mr Ian Harwood of Rowe & Pitman. "The Budget is already a worry in the political equation, and electoral timing is now a factor.

"But the markets are still looking on the bright side. They haven't discounted the possibility of a Conservative government without an absolute majority."

After last week's very firm and decisive action — "the strongest ever protest lodged by the Bank of England against a market rate," according to Mr Stephen Lewis of Phillips & Drew — the market should be on watch for equally direct signals in future.

When the Government relied more firmly on broad money, and M3 in particular, that in itself gave the markets a guide. Now, because it is not targeting an exchange rate, the markets do not know how it is interpreting currency movements. The authorities are therefore expecting to have to indicate their views more directly.

The more confident they are of that view, the more strongly they will assert it. And last week, over Westland, they were very confident.

This weekend no such direct assertion was likely to result from the G5 meeting in London. The only reason for a statement of any kind was the market's evident thirst for some titbit.

"The market is not looking for anything miraculous, but it does expect at least some encouraging noises on Monday morning," said Rowe and Pitman's Mr Harwood.

Greenwell's Mr Thomas adds: "Unless it is totally disillusioned by what comes out of the meeting, the market will be firm." Until, that is, everyone settles on a new oil price to discount.

George Graham

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AHFC O/S Fin 11¾ 94	[illegible]	[illegible]	[illegible]	[illegible]
AIDC 11 88	[illegible]	[illegible]	[illegible]	[illegible]
AIDC 11¾ 90	[illegible]	[illegible]	[illegible]	[illegible]
Amer Savings 12 89	[illegible]	[illegible]	[illegible]	[illegible]
Amer Savings 12¾ 89	[illegible]	[illegible]	[illegible]	[illegible]
Asian Dev Bk 11¾ 92	[illegible]	[illegible]	[illegible]	[illegible]
Australia 11¾ 90	[illegible]	[illegible]	[illegible]	[illegible]
Australia 11¾ 95	[illegible]	[illegible]	[illegible]	[illegible]
Australia 11¾ 98	[illegible]	[illegible]	[illegible]	[illegible]
Austria 9¾ 89	[illegible]	[illegible]	[illegible]	[illegible]
Avon Fin 10¾ 92	[illegible]	[illegible]	[illegible]	[illegible]
Bk Nova Scotia 13¾ 87	[illegible]	[illegible]	[illegible]	[illegible]
Bank of Tokyo 12¾ 92	[illegible]	[illegible]	[illegible]	[illegible]
Bank of Tokyo 13¾ 91	[illegible]	[illegible]	[illegible]	[illegible]
Bank of Tokyo 13¾ 88	[illegible]	[illegible]	[illegible]	[illegible]
Bergen Bank 11½ 90	[illegible]	[illegible]	[illegible]	[illegible]
BP Capital 11¾ 92	[illegible]	[illegible]	[illegible]	[illegible]
Br Col Hydro 11¾ 93	[illegible]	[illegible]	[illegible]	[illegible]
Br Col Hydro 12¾ 13	[illegible]	[illegible]	[illegible]	[illegible]
Britoil Fin 11¾ 90	[illegible]	[illegible]	[illegible]	[illegible]
Caisse Nat Tel 11¾ 95	[illegible]	[illegible]	[illegible]	[illegible]
Canada 10¾ 88	[illegible]	[illegible]	[illegible]	[illegible]
Casio Computer 5¾ 88	[illegible]	[illegible]	[illegible]	[illegible]
CBS Inc 11¾ 92	[illegible]	[illegible]	[illegible]	[illegible]
Centrust S & L 0 10	[illegible]	[illegible]	[illegible]	[illegible]
Cheesbrough 12 91	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp O/S 10¾ 90	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp O/S 11¾ 90	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp 11¾ 90	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp 11¾ 97	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp O/S 14 94	[illegible]	[illegible]	[illegible]	[illegible]
CNCA 11¾ 91	[illegible]	[illegible]	[illegible]	[illegible]
CNCA 13¾ 91	[illegible]	[illegible]	[illegible]	[illegible]
Coastfed Int 12¾ 88	[illegible]	[illegible]	[illegible]	[illegible]
Coca-Cola 11¾ 88	[illegible]	[illegible]	[illegible]	[illegible]
Comp Bancaire 13¾ 90	[illegible]	[illegible]	[illegible]	[illegible]
Continental Grp 11¾ 93	[illegible]	[illegible]	[illegible]	[illegible]
Creditanstalt 13¾ 91	[illegible]	[illegible]	[illegible]	[illegible]
Dai-Ichi Kangyo 12¾ 90	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 10¾ 90	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 11¾ 89	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 12¾ 92	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 13 91	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 13 92	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 13¾ 91	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 14 91	[illegible]	[illegible]	[illegible]	[illegible]
Digital Equip 11¾ 89	[illegible]	[illegible]	[illegible]	[illegible]
Dutch St Mines 11¾ 91	[illegible]	[illegible]	[illegible]	[illegible]
Eksportfinans 11¾ 92	[illegible]	[illegible]	[illegible]	[illegible]
Eksportfinans 11¾ 90	[illegible]	[illegible]	[illegible]	[illegible]
Elec de France 11¾ 93	[illegible]	[illegible]	[illegible]	[illegible]
Elec de France 12¾ 87	[illegible]	[illegible]	[illegible]	[illegible]
EEC 11 87	[illegible]	[illegible]	[illegible]	[illegible]
EEC 11¾ 90	[illegible]	[illegible]	[illegible]	[illegible]
EEC 11¾ 93	[illegible]	[illegible]	[illegible]	[illegible]
EEC 12 93	[illegible]	[illegible]	[illegible]	[illegible]
Elf-Aquitaine 10¾ 89	[illegible]	[illegible]	[illegible]	[illegible]
Ericsson L M 10¾ 88	[illegible]	[illegible]	[illegible]	[illegible]
Euro Inv Bk 11¾ 90	[illegible]	[illegible]	[illegible]	[illegible]
Euro Inv Bk 11¾ 93	[illegible]	[illegible]	[illegible]	[illegible]
Euro Inv Bk 12¾ 90	[illegible]	[illegible]	[illegible]	[illegible]
EDC 9¾ 88	[illegible]	[illegible]	[illegible]	[illegible]
EDC 10 88	[illegible]	[illegible]	[illegible]	[illegible]
EDC 10¾ 88	[illegible]	[illegible]	[illegible]	[illegible]
EDC 11¾ 88	[illegible]	[illegible]	[illegible]	[illegible]
EDC 12 89	[illegible]	[illegible]	[illegible]	[illegible]
EDC 13¾ 87	[illegible]	[illegible]	[illegible]	[illegible]
Fed Dept Store 11 90	[illegible]	[illegible]	[illegible]	[illegible]
Finland 11¾ 88	[illegible]	[illegible]	[illegible]	[illegible]
Finland 12¾ 94	[illegible]	[illegible]	[illegible]	[illegible]
Finnish Export 12¾ 87	[illegible]	[illegible]	[illegible]	[illegible]
Firstfed Mich 13¾ 89	[illegible]	[illegible]	[illegible]	[illegible]
Florida Fed 12¾ 88	[illegible]	[illegible]	[illegible]	[illegible]
FNM 11¾ 91	[illegible]	[illegible]	[illegible]	[illegible]
Gen Elec Cred 0 96	[illegible]	[illegible]	[illegible]	[illegible]
Gen Elec Cred 10¾ 90	[illegible]	[illegible]	[illegible]	[illegible]
Gen Elec Cred 11 91	[illegible]	[illegible]	[illegible]	[illegible]
Gen Elec Cred 11¾ 87	[illegible]	[illegible]	[illegible]	[illegible]
Gen Elec Cred 12 94	[illegible]	[illegible]	[illegible]	[illegible]
Gen Foods Cap 11¾ 90	[illegible]	[illegible]	[illegible]	[illegible]
General Mills 12 91	[illegible]	[illegible]	[illegible]	[illegible]
GMAC 10 88	[illegible]	[illegible]	[illegible]	[illegible]
Gen Motors Acc 10¾ 90	[illegible]	[illegible]	[illegible]	[illegible]
Gen Motors Acc 11 89	[illegible]	[illegible]	[illegible]	[illegible]
Gen Motors Acc 11¾ 90	[illegible]	[illegible]	[illegible]	[illegible]
Gen Motors Acc 13 88	[illegible]	[illegible]	[illegible]	[illegible]
GTE Finance 12 95	[illegible]	[illegible]	[illegible]	[illegible]
Gulf Oil 10¾ 94	[illegible]	[illegible]	[illegible]	[illegible]
GZB 14 91	[illegible]	[illegible]	[illegible]	[illegible]
Hell Air Fin 12¾ 91	[illegible]	[illegible]	[illegible]	[illegible]
Household Fin 11¾ 92	[illegible]	[illegible]	[illegible]	[illegible]
IBM 9¾ 88	[illegible]	[illegible]	[illegible]	[illegible]
IBM (WTC) 10¾ 89	[illegible]	[illegible]	[illegible]	[illegible]
IBM Credit 11 89	[illegible]	[illegible]	[illegible]	[illegible]
IC Industries 8¾ 87	[illegible]	[illegible]	[illegible]	[illegible]
IC Industries 12 90	[illegible]	[illegible]	[illegible]	[illegible]
Ind Bk Japan 10¾ 92	[illegible]	[illegible]	[illegible]	[illegible]
Ind Bk Japan 10¾ 88	[illegible]	[illegible]	[illegible]	[illegible]
Ind Bk Japan 11¾ 91	[illegible]	[illegible]	[illegible]	[illegible]
Ind Bk Japan 12¾ 91	[illegible]	[illegible]	[illegible]	[illegible]
Int-Amer Dev 12¾ 91	[illegible]	[illegible]	[illegible]	[illegible]
Int-Amer Dev 11¾ 94	[illegible]	[illegible]	[illegible]	[illegible]
Int Paper 12 91	[illegible]	[illegible]	[illegible]	[illegible]
Int Stand Elec 9¾ 87	[illegible]	[illegible]	[illegible]	[illegible]
Int Stand Elec 12 96	[illegible]	[illegible]	[illegible]	[illegible]
ITT 11¾ 88	[illegible]	[illegible]	[illegible]	[illegible]
ITT Credit Corp 10¾ 90	[illegible]	[illegible]	[illegible]	[illegible]
Japan Airlines 12¾ 94	[illegible]	[illegible]	[illegible]	[illegible]
Japan Dev Bk 10¾ 92	[illegible]	[illegible]	[illegible]	[illegible]
Kellogg Co 10¾ 89	[illegible]	[illegible]	[illegible]	[illegible]
Kellogg Co 11¾ 92	[illegible]	[illegible]	[illegible]	[illegible]
Kimberley-Clark 12 89	[illegible]	[illegible]	[illegible]	[illegible]
Kyowa Fin HK 12¾ 90	[illegible]	[illegible]	[illegible]	[illegible]
Long Term Cred 10¾ 90	[illegible]	[illegible]	[illegible]	[illegible]
Long Term Cred 11 89	[illegible]	[illegible]	[illegible]	[illegible]
Long Term Cred 11¾ 89	[illegible]	[illegible]	[illegible]	[illegible]
Long Term Cred 12 93	[illegible]	[illegible]	[illegible]	[illegible]
Macy R H 11¾ 91	[illegible]	[illegible]	[illegible]	[illegible]
Macy R H 11¾ 95	[illegible]	[illegible]	[illegible]	[illegible]
Marubeni 11¾ 91	[illegible]	[illegible]	[illegible]	[illegible]
McDonald's Corp 11¾ 90	[illegible]	[illegible]	[illegible]	[illegible]
Merrill Lynch 12¾ 94	[illegible]	[illegible]	[illegible]	[illegible]
Minebea 9¾ 91	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi 9¾ 88	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi Cp 10¾ 89	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi Cp 10¾ 95	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi Cp 12¾ 91	[illegible]	[illegible]	[illegible]	[illegible]
Mitsui Eng 13 88	[illegible]	[illegible]	[illegible]	[illegible]
Mitsui Fin 12¾ 92	[illegible]	[illegible]	[illegible]	[illegible]
Mitsui Tst Fin 12¾ 91	[illegible]	[illegible]	[illegible]	[illegible]
Mobil Corp 10¾ 90	[illegible]	[illegible]	[illegible]	[illegible]
Montreal City 12¾ 91	[illegible]	[illegible]	[illegible]	[illegible]
Mon Guaranty 12¾ 91	[illegible]	[illegible]	[illegible]	[illegible]
Morgan J P 11¾ 91	[illegible]	[illegible]	[illegible]	[illegible]
Mount Isa Fin 13¾ 87	[illegible]	[illegible]	[illegible]	[illegible]
Nat Gasunie 11¾ 90	[illegible]	[illegible]	[illegible]	[illegible]
Nat Gasunie 11¾ 93	[illegible]	[illegible]	[illegible]	[illegible]
N Eng Lf Mtg. 11¾ 95	[illegible]	[illegible]	[illegible]	[illegible]
Newfoundland 13 91	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Crd Bk 13¾ 88	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Tel Tel 11¾ 90	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Tel Tel 12¾ 94	[illegible]	[illegible]	[illegible]	[illegible]
Nissho-Iwai 12¾ 88	[illegible]	[illegible]	[illegible]	[illegible]
Nomura 12¾ 88	[illegible]	[illegible]	[illegible]	[illegible]
Nova Scotia 11¾ 91	[illegible]	[illegible]	[illegible]	[illegible]
Nova Scotia 11¾ 92	[illegible]	[illegible]	[illegible]	[illegible]
Oester Post 12¾ 89	[illegible]	[illegible]	[illegible]	[illegible]
Ohbayashi-Gumi 7 89	[illegible]	[illegible]	[illegible]	[illegible]
Ontario Hydro 11¾ 94	[illegible]	[illegible]	[illegible]	[illegible]
Ontario Hydro 11¾ 90	[illegible]	[illegible]	[illegible]	[illegible]
Ontario Hydro 12¾ 91	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Gas & E 12 00	[illegible]	[illegible]	[illegible]	[illegible]
Penney J C 11¾ 91	[illegible]	[illegible]	[illegible]	[illegible]
Penney J C 12¾ 91	[illegible]	[illegible]	[illegible]	[illegible]
Philips Petrol 14 91	[illegible]	[illegible]	[illegible]	[illegible]
Postipankki 11¾ 90	[illegible]	[illegible]	[illegible]	[illegible]
Post-Och Kred 13¾ 87	[illegible]	[illegible]	[illegible]	[illegible]
Privatbanken 12¾ 88	[illegible]	[illegible]	[illegible]	[illegible]
Prudential Ins 12¾ 87	[illegible]	[illegible]	[illegible]	[illegible]
Pru Rity Secs 0 89	[illegible]	[illegible]	[illegible]	[illegible]
Pru Rity Secs 11¾ 88	[illegible]	[illegible]	[illegible]	[illegible]
Pru Rity Secs 12¾ 95	[illegible]	[illegible]	[illegible]	[illegible]
Quebec Prov 12¾ 94	[illegible]	[illegible]	[illegible]	[illegible]
Queensland Gvt 11¾ 88	100	106½	0	9.31
RBC 11¾ 90	100	104¾	−0¼	9.69
Rural Bk Aust 12 91	80	106	+1	10.41
Sanwa Bank 11⅞ 92	150	106¾	−0¼	9.91
Saskatchewan 10¾ 92	100	105¾	−0½	9.80
Saskatchewan 10¾ 90	125	105¾	−0¼	9.15
Saskatchewan 11¾ 89	100	108¾	+0¼	9.18
Saskatchewan 15 92	150	123¾	+0¾	9.87
Saskatchewan 16 88	125	117¾	−0¼	9.36
Scot Intl Fin 14¾ 96	50	114¾	+0¾	11.17
Sears O/S Fin 0 98	500	29¾	0	10.31
Sears Roebuck 10½ 91	150	103½	+0¾	9.62
Sears Roebuck 11¾ 91	150	108¾	+0½	9.39
Sec Pacific 12 92	100	109½	0	9.83
Shearson/Amex 12¾ 94	100	107⅞	−1¼	10.76
Shell (Canada) 14¾ 92	125	113¾	−0¾	11.20
Signal Comps 11¾ 92	125	106¾	+0½	10.28
Standard Oil 10½ 88	150	102¼	+0½	9.61
Statoil 12 88	100	106½	+0¾	8.86
Sumitomo Corp 10¾ 92	100	102¾	+0¾	10.07
Sumitomo Fin 11¾ 92	150	109¼	+0¾	9.71
Sumitomo Fin 12¾ 91	150	111⅞	0	9.74
Sumitomo Trust 12½ 92	100	110	+1¼	10.20
Sweden 11½ 89	200	107¼	0	[illegible]
Sweden 12¾ 89	200	108⅞	+0½	9.08
Swedish Export 10¾ 88	100	103½	+0½	10.11
Swedish Export 11¾ 89	100	106	+0¼	9.15
Swedish Export 12¾ 89	100	108¾	+0¾	9.31
Taiyo Kobe 11⅞ 90	100	108¾	+0¾	9.86
Taiyo Kobe 12 90	100	108⅞	+0½	9.63
Tenneco Corp 11½ 89	150	104½	+0½	9.67
Texaco Capital 10½ 90	200	94¾	+0¼	12.01
Texaco Capital 10½ 93	200	98⅞	−0¼	10.84
Texaco Capital 13½ 89	200	103¾	+0¼	12.01
Texas Instru 11⅞ 91	150	104¾	+0¼	10.64
Tokai Asia 12¼ 91	100	111	+0¾	9.42
Tokyo Electric 6½ 89	70	109	+0¾	3.46
Tokyo Elec Pr 13¾ 88	100	111½	+1	9.35
Toray Inds 11¾ 92	50	103½	+0¾	10.31
Toronto-Dom 12¾ 89	50	108	+0¾	9.62
UBS 12¼ 91	100	107¾	+1¾	10.42
Utd Tech 11¾ 92	150	106⅞	+0¾	9.68
Veba 8 93	70	198	+4	
West LB 11⅞ 90	100	108	−0¼	9.74
Westpac 12¾ 92	100	110¼	+1¾	10.25
Weyerhaeuser 11½ 90	60	103¾	−1⅞	10.63
World Bk 11 92	300	106⅞	−0¾	9.44
World Bk 11¾ 90	200	107¾	−0¼	9.14
World Bk 11¾ 89	200	108¾	+0½	9.00
World Bk 12 93	200	112¾	−0¼	9.63
World Bk 12¾ 94	150	114	0	9.80
World Bk 12⅞ 94	200	116⅞	−0¼	9.86
Yasuda Trust 12¾ 89	100	108¾	+0½	9.31

FLOATING RATE NOTES	Issued	Price	Chg. on week	C.cpn
African Dev Bk ⅛ 96	100	100	−0⅛	8⅞
Arab Bank Corp ⅛ 96	100	99⅞	−0⅛	8¹¹⁄₁₆
Banca Lavoro ⅛ 91	100	100	−0⅛	8⅞
Banco di Roma ⅛ 89	150	100	0	8⅝
Bnco di Roma ⅛ 92 CU	75	99¾	0	10⅝
Bankers Tr NY ⅛ 94	200	100¼	0	8⅞
Bank of Greece ⅛ 94	150	95¾	−2⅞	8⅞
Bk Montreal ⅛ 94	100	100⅛	−0⅛	11⅞
Bqe Nat Paris ⅛ 88	400	101	−0⅛	8½
Bqe Nat Paris ⅛ 95	250	0	0	11⅞
Bqe Nat Paris ⅛ 96	250	100⅛	0	8⅞
Barclays O/S ⅛†	600	100½	0	8⅞
BBL ⅛ 95	100	100⅛	0	8⅞
BBL ⅛ 99	100	100	−0⅛	8⅞
BCI ⅛ 96	300	100⅛	0	8⅞
BFCE ⅛ 97	400	99¾	−0½	8⅞
BFCE ⅛ 99	600	100⅛	0	8⅞
Belgium ⅛ 04	400	100	0	8⅞
CCCE ⅛ 05	200	100⅛	0	8⅞
CEPME ⅛ 98 £	100	99⅞	−0⅛	11⅞
Ch Manhattan ⅛ 09	400	100	0	8⅞
Chemical NY ⅛ 98	300	100¼	−0⅛	8⅞
Citicorp O/S ⅛ 91 £	100	99¾	0	11⅞
Citicorp O/S ⅛ 96	250	99⅞	−0⅛	8⅞
Citicorp Psn Psn ⅛ 97	250	100	−0⅛	8⅞
Commerzbank ⅛ 89	150	100⅛	−0⅛	8⅞
Creditanstalt ⅛ 96	150	100⅛	0	8⅞
Credit Comm ⅛ 95	100	100⅛	+0⅛	8⅞
Credit Foncier ⅛ 00 £	100	100⅛	0	5⅞
Credit Lyonnais ⅛ 96	300	100⅛	0	8⅞
Credit Lyonnais ⅛ 99	250	100⅛	0	8⅞
Credit National ⅛ 95 £	100	100	−0⅛	11⅞
Dai-Ichi Kangyo ⅛ 96	150	100⅛	0	8⅞
Denmark 0 99	200	100⅛	0	8⅞
Denmark ⅛ 90	500	100⅛	0	8⅞
Denmark ⅛ 95	250	101¼	−0⅛	10
Eldorado Nuke 89	100	99¾	−0⅛	8⅞
Elec de France ⅛ 99	400	101	0	8⅞
ENEL ⅛ 93 £	100	99¾	−0⅛	12⅞
Exterior Int ⅛ 96	125	99¾	0	8⅞
Ferro del Stat ⅛ 88	100	100⅛	0	8⅞
Ferro del Stat ⅛ 99	250	99⅞	−0⅛	8⅞
Fiat Finance ⅛ 94	100	100⅛	−0⅛	8⅞
First Chicago ⅛ 94	100	99¾	−0⅛	8⅞
First Chicago ⅛ 97	150	99½	−0⅛	8⅞
Ford Motor Cr ⅛ 91	200	99⅞	0	8⅞
GW O/S Fin ⅛ 94	100	99⅞	−0⅛	8⅞
Grindlays ⅛ 94	100	100⅛	0	8⅞
Interfirst Tex ⅛ 89	100	97¾	0	8⅞
Ireland ⅛ 88	50	100	0	8½
Ireland ⅛ 93 £	50	100¼	0	11⅞
Ireland ⅛ 94	300	100¼	0	8⅞
Ireland ⅛ 96 £	100	99⅞	−0⅛	11⅞
Ireland ⅛ 97	300	100	−0⅛	8⅞
Ireland ⅛ 99	300	100⅛	0	8⅞
Italy ⅛ 94	1bn	100	0	8⅞
Italy ⅛ 99	500	100	−0⅛	8⅞
Kleinwort Benson ⅛ 96	100	100	−0⅛	8½
Korea Exch Bk ⅛ 94 £	100	98¾	−0⅛	12
Lincoln S & L ⅛ 99	100	99⅞	−0⅛	8⅞
Malaysia ⅛ 93	500	99⅞	−0⅛	8½
Malaysia ⅛ 94	600	99¾	+0⅛	8⅞
Man Hanover ⅛ 94 £	75	98¾	0	11⅞
Marine Midland ⅛ 94	125	100	+0⅛	8⅞
Marine Midland ⅛ 96	125	99⅞	0	8⅞
Marine Midland ⅛ 09	150	100	0	8⅞
Mellon Bank ⅛ 96	250	100	0	8⅞
Midland Intl ⅛ 89	200	100½	0	8⅞
Mitsui Fin ⅛ 96	100	100⅛	0	8⅞
Morgan Grenfell ⅛ 94	50	99¾	+0⅛	8⅞
Mtg Intermed ⅛ 10 £	50	100	0	12
Nat Bank Canada ⅛ 91	50	100¼	0	8⅞
Natl Bank Detr ⅛ 96	100	99¾	0	8⅞
Nat West Fin ⅛†	300	100⅞	0	8⅞
Neste Oy ⅛ 94	100	100½	0	8⅞
New Zealand ⅛ 87	350	100⅛	0	8½
NZ Steel Corp ⅛ 92	225	100⅛	0	8⅞
Oster Ln Bank ⅛ 99	100	100⅛	0	8⅞
Oko Bank ⅛ 92	50	99⅞	−0⅛	8⅞
Portugal ⅛ 92	100	100	0	8⅞
Queensland Coal ⅛ 96	355	100⅛	−0⅛	8⅞
Renfe ⅛ 91	100	100	−0⅛	8⅞
Sanwa Intl Fin ⅛ 92	150	100	0	8⅞
SEAT ⅛ 93	100	99¾	−0⅛	8⅞
Security Pac ⅛ 97	250	99¾	0	8⅞
Skopbank ⅛ 94	75	99¾	0	8⅞
SNCF ⅛ 93 £	75	100⅛	−0⅛	11⅞
Soc Generale ⅛ 90	250	100⅛	0	10½
Soc Generale ⅛ 94	250	100⅛	0	8¹¹⁄₁₆
Spain ⅛ 88	200	100	−0⅛	8⅞
Spain ⅛ 97	250	100⅛	0	8⅞
Standard Chart ⅛ 94	200	100⅛	0	8⅞
Sumitomo Trust ⅛ 94	100	100⅛	−0⅛	8⅞
Sweden ⅛ 99	500	99¾	+0⅛	8⅞
Sweden 90	700	99⅞	0	7⅞
Sweden ⅛ 24	600	101⅞	0	8⅞
Swedish Ex Cred ⅛ 92	125	102⅞	+0⅛	10
Thailand ⅛ 00	85	0	0	8⅞
Tokia Asia ⅛ 99	150	100⅛	0	8⅞
Toyo Trust Asia ⅛ 99	100	100⅛	0	8⅞
TVO Power ⅛ 04	100	98½	0	8⅞
Union Bank-Norw ⅛ 99	50	99½	−0⅛	8⅞
United Kingdom 92	2.5bn	100	0	7⅞
Wells Fargo ⅛ 94	150	99	+0⅛	8⅞
Wells Fargo MM ⅛ 96	50	99¾	−0⅛	8⅞
Yorkshire Int ⅛ 94 £	75	99⅞	−0⅛	12⅞

CONVERTIBLE BONDS	Issued	Price	Chg. on week	Prem.
Ajinomoto 3 99	120	132½	−1¼	2.45
Best Denki 5½ 97	15	183⅞	−4	−4.73
Canon 7 97	80	223¼	+2⅞	−5.67
Daiwa Secs 5½ 98	60	203¾	−2⅞	1.03
Dev Bank Sin 5½ 98	70	74	0	0
Elders 11¾ 94	160	109¾	+2½	42.88
Elektrowat 5 98	82	130¾	+0¾	0
Fujitsu 3 99	180	102¼	+1⅞	1.86
Intac Inc 3 99	50	104¾	+2½	2.74
Kumagi Gumi 3½ 00	80	177	−3¼	12.62
LASMO 9¾ 99	44	82¾	−1¼	0
Moet-Hennessy 7 99	50	150½	+2½	−88.20
Murata Mfg 3¼ 00	100	120¼	+5¾	27.57
Nippon Oil 3¾ 99	50	94½	0	3.70
Ono Pharm 3¾ 98	60	98¾	−3	−3.59
Soc Gen Surv 4½ 94	51	161¼	−1¼	30.47
Sumitomo Corp 2⅞ 99	70	146½	+0½	3.09
Texaco Capital 11⅞ 94	1bn	98¾	+0¼	65.34
Texaco Capital 11¾ 94	500	98¾	+0½	64.30
Tsugami Corp 3¾ 00	20	85	+1	−0.35
Yamaichi Sec 3¾ 95	20	151¼	−1½	−3.05

YEN STRAIGHTS	Issued	Price	Chg. on week	Yield
Asian Dev Bk 7⅞ 94	15	103⅞	−1¼	6.78
Avon Products 6¾ 91	25	99¾	−0¾	6.90
Denmark 6¾ 92	20	100	−0⅛	6.75
Dow Chemical 7 94	50	102¼	−0¼	6.67
EDF 6⅞ 96	20	101¾	−0⅞	6.62
Eurofima 7¾ 94	10	102⅞	−0¾	6.89
Eurofima 6¾ 92	10	101	0	6.43
FNMA 6⅞ 92	50	100¾	−0¾	6.75
GMAC 6½ 90	25	101	−0¾	6.20
Intel 6¾ 92	13	97¾	−1¼	7.24
Int-Amer Dev 7⅞ 93	15	103¼	−0¼	7.33
ITT 6¾ 92	20	100⅞	−1	6.58
McDonald Corp 6½ 92	25	101¼	−1½	6.21
New Zealand 7⅞ 90	15	102¾	−0½	6.56
New Zealand 7⅞ 89	15	103½	−0¾	6.50
Pacific Gas & EL 7 94	20	102¾	−0⅞	6.58
Penney J C 6¾ 92	25	99¾	−0⅞	6.87
Procter 6¾ 92	25	101⅞	−0¾	6.25
Sallie Mae 6⅞ 92	25	99¾	−0½	6.70
TRW 7 94	15	101¼	−0⅞	6.78
Utd Technology 6⅞ 92	25	100¾	−0¾	6.53
World Bank 7 94	20	102¼	−0¾	6.65
World Bank 7⅞ 93	20	105¾	−0½	6.71
World Bank 8 93	20	106¾	−0¾	6.79

LUXFR STRAIGHTS	Issued	Price	Chg. on week	Yield
ASEA 9¾ 89	500	102¼	−0¾	9.07
Eurofima 10 94	600	104¾	−0¾	9.24
E Coal & Steel 10½ 94	1bn	106¾	−0¾	9.39
Euro Invest Bk 10½ 94	1bn	106¾	+0¾	9.34
World Bank 10¾ 89	1bn	103¾	−0¾	9.12

GUILDER STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 8 89	200	108¾	+0½	5.61
ABN 7¾ 89	150	105¾	0	6.01
Amro Bk 7¾ 89	150	103¾	+0¾	6.16
Amro Bk 8 89	200	105	−0¾	6.19
Bk Mees & Hope 8¾ 89	100	106¾	+0¾	5.87
Beatrice Foods 8¾ 89	100	104¾	−0¾	6.87
C C Rabo 8 89	150	105¾	+0¾	6.14
Denmark 8½ 91	100	108¾	−0¾	6.69
Int Stand Elec 8½ 89	100	105¾	+0¾	6.37
New Zealand 8¾ 89	100	105⅞	−0¾	6.30

CANADIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Amex 12¾ 91	60	104¾	−1¾	11.26
Aust Resources 11¾ 92	50	103¾	−1¾	10.85
Bank of Tokyo 10⅞ 92	75	100¾	−1⅞	10.69
Bqe l'Indosuez 14 91	75	111	+0¾	11.18
Br Col Munic 12¾ 91	100	108¾	−1¼	10.64
Br Col Munic 13½ 91	100	109¾	−1⅞	11.06
Br Col Tele 12¾ 89	70	103¾	−0¾	11.72
Ferm Cred Corp 12¾ 90	75	106¾	+0¾	10.60
Kredietbank 12 92	75	103½	−0¾	11.17
Long Term Cred 11¾ 90	75	103	−0¾	10.78
Montreal City 12¾ 91	50	105¾	−0½	10.74
New Brunswick 12 95	75	106¾	+1	10.79
Nova Scotia 11⅞ 95	100	103¾	−1¼	10.97
Quebec Hydro 14 91	75	106⅞	−1¼	12.17

ECU STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 9½ 92	100	102¾	+0¾	8.92
Australia & NZ 10¾ 91	50	104¾	+0¾	9.70
Austria 10¾ 93	100	107¾	+0¾	9.18
BFCE 9¾ 92	100	104¾	+0¾	8.83
Cred National 10¾ 91	50	106½	+0¾	9.28
Cred National 11¾ 91	50	108½	+1¾	9.19
Denmark 10¾ 91	75	105¾	−0¾	9.27
Ebco Int 10⅞ 89	55	102⅞	−1	9.74
EEC 11 93	50	103⅞	−0¾	10.25
EEC 11¾ 91	50	108	−0¾	9.74
EEC 11¾ 93	70	104¾	−1¾	10.30
Euro Coal & Steel 6 94	80	117½	+0¾	9.31
Euro Invest Bk 9¾ 95	200	99¾	0	9.31
Euro Invest Bk 10¾ 94	130	105¾	+0¾	9.10
Euro Invest Bk 10¾ 89	50	106¾	−1	8.12
Euro Invest Bk 10¾ 94	100	105⅞	−0¾	9.53
Euro Invest Bk 11¾ 92	75	107¾	0	9.43
Euro Invest Bk 11¾ 93	50	107¼	−0⅞	9.75
Euro Invest Bk 11¾ 96	50	111¾	+0½	9.46
Gen Finance 11 90	70	107	+0¾	9.07
Giro Vienna 10½ 93	60	106¾	−0⅞	9.35
GTE Finance 10⅞ 92	50	107¾	0	9.18
Ireland 10¾ 95	50	102¾	−0¾	9.80
Italian Govt 10½ 92	600	105¾	+0⅞	9.35
Italian Treas 11½ 90	60	108	+0¾	9.33
Kredietbank L 9¾ 92	75	100½	−0¾	9.28
Megal Finance 11¾ 94	100	107¾	−0¾	9.89
Nippon Cred Bk 11 91	50	106⅞	0	9.27
Nordic Inv 6 94	50	116¾	+4⅞	9.34
Post Och Kred 10⅞ 92	60	105⅞	+0¾	9.73
Royal Bk Can 10½ 89	85	104¾	−0⅞	8.94
SNCI 10⅞ 94	60	106⅞	−0¾	9.62
Swedish Export 11 88	57	103¾	−0¾	9.73
West LB 10⅞ 91	50	104	−0½	9.83
World Bank 10¾ 88	100	104¾	−0¾	8.64

AUSTRALIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Nat Aust Bk 12½ 89	40	91¼	−1	16.11
PIBA 12⅞ 89	50	101¼	+9¾	11.66
State Bk NSW 12¾ 89	40	93¾	−0½	15.00
Woolworths 14¾ 88	25	99	+1¼	14.64

STERLING STRAIGHTS	Issued	Price	Chg. on week	Yield
BAT Intnl 10¾ 91	100	96⅞	0	11.67
Denmark 10¾ 89	75	97⅞	−0¾	11.55
EEC 11⅞ 94	50	99¾	0	11.50
Europarat 11⅞ 92	50	97⅞	−0¾	11.85
Euro Invest Bk 10¾ 92	50	96¾	+0¾	11.62
Finland 11⅞ 88	50	99⅞	−0¾	11.87
Grand Met Fin 10⅞ 90	50	96⅞	−0¾	12.04
Int-Amer Dev 11½ 91	60	98¾	−0¾	11.79
Int Stand Elec 11¾ 89	50	98¾	−0¾	11.88
Inv In Indust 11½ 91	50	99	−1¼	11.73
Ireland 11¾ 94	60	97¾	−1	11.87
New Zealand 10¾ 89	100	96⅞	+0¾	11.79
SNCF 11¾ 94	60	97¾	−0¾	11.71
World Bank 10¾ 89	100	97¾	−0⅞	11.46
World Bank 10¾ 88	50	97⅞	−0¾	11.30
World Bank 11 94	80	97¾	+0¾	11.40

EQUITY WARRANTS	Expiry date	Price	Chg. on week	Prem.
Bank Leu Intl	30/9/88	166	0	10.68
Ciba-Geigy Int £	1/11/93	591¾	+21¾	3.50
Credit Suisse	31/5/88	97¾	+8¾	0
Casio Computer	6/3/89	50½	−0½	−28.88
ICI Finance	1/6/90	361¼	+41¼	3.48
IC Industries	15/6/88	24½	−2½	0
Jusco	22/12/88	112	+9	−44.02
Minebea Co	20/2/89	61¾	+2¼	18.34
Mitsubishi Cp	7/11/89	38½	−1½	−14.58
Mitsui	10/12/87	18½	−4½	6.72
Nissho Iwai	1/2/88	25¾	+0¾	−4.66
Nomura	31/10/88	71⅞	−0¾	−29.84
Swiss Bank Cpn	20/12/88	145½	−0¾	0
Toray Ind	5/3/87	28¾	−7½	−12.09
Veba Intnl	15/12/93	0	0	0

BOND WARRANTS	Expiry date	Price	Chg. on week	Ex. yield
Aegon Ins 11¾ 91	14/2/88	46⅞	+35¾	10.65
Coca Cola 11¾ 91	28/11/88	65⅞	+0¾	8.69
Commerzbk 12¾ 91	21/11/88	82½	−0½	6.03
Du Pont 13¾ 89	25/8/86	98	+6	10.65
Eksprtfinans 13¾ 89	15/9/87	100¾	−1¾	6.61
Gen Elec 12¾ 91	7/8/87	79⅞	−3⅞	8.89
Ind Bk Jpn 12⅞ 91	5/10/89	107⅞	−6¾	9.28
Inv In Ind 10½ 91	1/12/88	85	0	11.08
McDnlds F11¾ 94	5/1/89	61½	−1¾	10.44
Oester Lnbk 13½ 89	9/8/87	101¾	+1¾	6.40
Texaco Cap 12⅞ 92	1/9/87	65¾	−1¾	8.30
Trnto Dom 12¾ 91	6/4/88	100¾	+2¾	7.37

Closing prices on January 17.

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.

FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon.

CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.

WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

† Perpetual.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

CORPORATE FINANCE

UK commercial paper market on the way

THE BRITISH Government's approval last year of one to five-year sterling corporate debt issues was widely seen as a stepping stone to a commercial paper market. It has turned out to be a pretty wobbly one, since not a single borrower has taken advantage of the opportunity. Nevertheless, a British commercial paper market appears to be on the way.

UK corporate treasurers can, of course, already issue commercial paper—unsecured debt, sold with minimum cost and fuss, usually for very short maturities. More than 20 British companies do so in the $260bn US market, and a handful have also utilised the rapidly growing London-based market in Euro commercial paper. They can either finance dollar-based operations with them, or swap the proceeds into sterling to meet needs in the UK.

They cannot, however, issue commercial paper directly in sterling. This would make them, according to the Banking Act, unlicensed deposit-takers. But the British authorities seem set within the next few months to follow several European countries, including France and the Netherlands, in allowing a domestic commercial paper market to develop.

This would represent a further move towards securitisation of debt, and disintermediation of banks—though banks would be eager to provide back-up credit lines and to act as dealers in placing the paper.

Is there really sufficient demand in the UK to foster an adequately liquid market? Potential issuers, after all, already have a range of short-term funding possibilities such as the highly liquid bankers' acceptance market or bank overdrafts and loans—not to mention the US and Euro-commercial paper markets. And on the investors' side, how many UK companies are ready to invest their short-term cash surpluses directly in the unsecured paper of their fellows—along the lines of the US market, in which companies largely buy and sell commercial paper among each other?

Hill Samuel, the UK merchant bank, argues in a study published today that there is demand. In discussions with potential issuers and investors, "on both sides we have encountered a strong readiness to take part."

The bank says commercial paper would offer treasurers *considerably* more flexibility than bankers' acceptances. The requirement that acceptances must be matched by underlying transactions limits the ways in which they can be used, particularly by financial institutions which may not have underlying trade deals.

For the UK monetary authorities, it says, a commercial paper market might have an alluring spin-off in that it would help to reduce the Bank of England's £15bn bill mountain, which built up because of the Government's former policy of selling more gilt-edged securities than were needed to fund its borrowing requirement.

Hill Samuel is not alone in its belief. Mr Andrew Winckler, a director of Lloyds Merchant Bank, says a sample taken of the top 100 UK companies shows only a third to be sceptical or indifferent about a new market and a significant proportion interested as potential issuers. Some treasurers, such as Mr Richard Desmond of BAT Industries, have for some time argued strongly for permitting commercial paper.

Only experience will tell whether commercial paper will be a cost-effective way of raising money in the UK. The exact costs will depend partly on the restrictions which the Bank of England imposes to provide investor protection. Issuers—likely in any case to number only the largest and most creditworthy companies—will probably have to be listed on the Stock Exchange but the paper itself would require very limited documentation.

Other costs would include a small dealers' fee, perhaps taken into the selling price of the paper. It is probable, even if the Bank of England does not specifically require them, that issuers would need to obtain a rating from a credit rating agency and to arrange bank standby credit lines. The Euro-comercial paper market has broken the US mould to some extent on both these points but caution is likely to be in order if a new market is to attract British issuers and buyers unused to the free-wheeling international markets.

The attractiveness of commercial paper yields to treasurers will depend on the existence of a large enough pool of investors ready to bid competitively for each issue. In the US, the average maturity is 22 days and about 90 per cent of paper is bought by only 500 investors—though some of these are large fund management concerns representing thousands of other investors.

Short-term UK corporate paper could be attractive to the broad spread of international banks in London, keen to *diversify their portfolio* away from other banks' paper, and to UK institutions such as discount houses and fund managers. There may also be some companies, probably a relatively small pool, which are interested as buyers.

...Commercial Paper: The Next Parallel Market? Hill Samuel and Co.

Alexander Nicoll

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Kobe Steel ¶‡	100	1991	5	5⅜	100	Nomura Int.	5.375
Sumitomo Corp. ¶	100	1991	5	(5)	100	Daiwa (Europe)	*
Woodside Fin. Serv. †‡	300	1997	11	(b)	100	IBJ Int.	—
Nordic Inv. Bank φ‡	100	1996	10	9⅝	100¼	Mitsubishi Finance	9.585
New Zealand †‡	350	2001	15	(c)	100	Salomon Brothers	—
Commerzbank (d) φ†‡	100	1993	7	⅛	100	Commerzbank	—
Tateho Chemical ¶	30	1991	5	(5)	100	Nikko Secs. (Europe)	*
Nat. Bank of Hungary (e)†‡	100	2001	15	¼	100	Daiwa Singapore	—
Procter & Gamble ‡	200	1998	12	9½	100⅛	Goldman Sachs	9.482
Italy ‡	200	1991	5	8¾	100	Chemical Bank Int.	8.750
Saab-Scania ‡	125	1991	5	9½	100⅜	Enskilda Secs.	9.403
Credit Lyonnais ‡	200	1991	5	9	100⅜	Credit Lyonnais	8.904
Philip Morris ‡	200	1998	12	9⅞	100⅜	SBCI	9.820
Fiat Fin. & Trade φ†‡	100	1991	5	(g)	100	Société Générale	—
Bank of Boston (k)†‡	250	2001	15	⅛	100	CSFB	—
Fed. Bus. Dv. Bk Canada ‡	50	1993	7	8¾	100	CSFB	8.750
NEW ZEALAND DOLLARS							
Denmark ‡	50	1989	3	17½	100½	Banque Paribas	17.273
C. Itoh ‡	25	1991	5	18	100¼	Bqe Gutzwiller, K.B.	17.920
Unilever ‡	50	1989	3½	17½	100½	Morgan Guaranty	17.150
D-MARKS							
World Bank **‡	200	1992	6	6⅜	99¾	Deutsche Girozentrale	6.427
Austria (f)†‡	600	1998	12	⅛	100	CSFB-Effectenbank	—
Ind. Dev. Bk India ‡	100	1993	7	7	99¾	Dresdner Bank	7.046
SWISS FRANCS							
TNT Ltd. ¶‡	300	1998	—	4⅞	101	Soditic	4.784
RX Capital (h)§‡	100	2001	—	5⅝	100	Bqe Gutzwiller, K.B.	5.625
Tokyo Juki **¶‡	40	1991	—	2¾	100	Credit Suisse	2.750
Kyushu Elec. ‡	100	1994	—	5⅛	99¾	SBC	5.164
Nichirei Corp. **¶	100	1991	—	(2⅞)	*	UBS	*
Sth. California Gas ‡	100	1998	—	5⅛	100	Chase Man. Bk (Suisse)	5.125
Settsu Paperboard ‡	100	2001	—	5⅜	100	Credit Suisse	5.375
Asian Dev. Bank ‡	500	2016	—	0	21.50	SBC	5.257
Nakamichi Corp. **‡	40	1991	—	5⅜	100	UBS	5.375
Osaka Building **‡	30	1991	—	5⅜	100	UBS	5.375
OKB **‡	50	1989	—	4½	100	SBC	4.500
OKB **‡	50	1993	—	5	101¼	SBC	4.786
Sweden **‡	200	1993	—	5	100¼	Credit Suisse	4.957
Del. E. Webb Corp. ‡	50	1996	—	6⅛	100	Soditic	6.125
Gen. Occidentale	125	1996	—	(5¾)	*	Soditic	*
Ireland ‡	150	1996	—	5¼	100	UBS	5.250
Humana Inc. ‡	120	1998	—	5⅛	100	Mgn. Guaranty (Switz)	5.125
Brierley Inv. §	100	1994	—	(5)	100	Lloyds Bank Int.	*
World Bank	250	2016	—	(5⅝)	*	Credit Suisse	*
Kitagawa Iron Wks **‡	30	1991	—	5⅜	100	UBS	5.375
ECUs							
EEC (a)†‡	350	1993	6.14	1/32	100	Banque Paribas	—
Industriekreditbank φ‡	50	1993	7	8¾	100⅜	Banque Paribas	8.676
GUILDERS							
Mortgage Bk Denmark **‡	100	1991	5	6¾	100	Amro	6.750
FRENCH FRANCS							
Aéroports de Paris ‡	*350*	*1993*	*5.02*	*10½*	*100⅜*	*CCF*	*10.422*
LUXEMBOURG FRANCS							
Den norske Creditbank **‡	300	1991	4.3	9	100	Bqe. Gen. du Lux.	9.000
EIB ‡	1bn	1993	7	8⅝	100⅜	Kredietbank Int.	8.552
DANISH KRONER							
Swedish Export Cr. (j)‡	300	1993	7	9⅝	100⅛	Privatbanken	9.600
YEN							
Philip Morris ‡	20bn	1991	5	6½	100⅞	Nomura Int.	6.291
Postipankki ‡	20bn	1991	5	6½	101½	Nomura Int.	6.143
Kubota ¶	20bn	1991	5	(3)	100	Yamaichi Int. (Eur)	*
Hydro Quebec ‡	10bn	1994	8	6⅝	101⅛	Yamaichi Int. (Eur)	6.441
Westinghouse Cr. ‡	15bn	1996	10	6¾	101¼	LTCB Int.	6.576
EIB ‡	30bn	1998	12	6.6	99.65	Daiwa Secs.	6.753

*Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. φ With bond warrants. ‖ Deal currency. (a) 1/32 over 3m Libor. (b) Equal to 3m Libor (c) Equal to 6m Libor. (d) ⅛ over 3m Libean. (e) ¼ over 6m Libor. (f) ¼ over 6m Libor, max. coupon 8⅝. (g) 3m Libor+9bp Ist yr, 6m Libor – 9bp thereafter. (h) Double convertible. (j) Additional DKr 700m tap during first 5 yrs. (k) ⅛ over 3m Libor. Note: Yields are calculated on AIBD basis.

Mack to relocate truck plant

BY WILLIAM HALL IN NEW YORK

MACK TRUCKS, the big US heavy-duty truck maker in which Renault has a 41 per cent stake, is to build an $80m plant outside its home state of Pennsylvania where Mack has been producing trucks for more than 60 years.

Several thousand jobs are expected to go at Allentown, where it is the biggest employer, and at Mack's engine plant at Hagerstown, Maryland.

Mack, which lost $56m in the first nine months of 1985, has been negotiating with the unions for several months in a bid to win concessions which would enable it to build its new facility close to its existing plant at Allentown.

The Allentown plant, which produces around 52 trucks a day, is old, inefficient and pays high wages. Mack wants to build a plant capable of producing 70 trucks a day and has been trying to win sufficient concessions from the unions. It plans to begin production in 1987 at the new plant, which will probably be built in one of the southern states

Mack had wanted a $3.85 cut in the average wage and benefit rate of $23 an hour and the unions had made counter-proposals which involved them diverting part of their wages into a fund to help Mack modernise.

The company, which had set a January 17 deadline for an agreement, said that the union's final proposal failed to achieve product cost reductions substantially equivalent to thhse that could be realised at an out-of-state location. Consequently, it planned to go ahead with plans to locate the new plant outside of Pennsylvania and "to outsource" certain work at its Hagerstown, Maryland, plant.

Profits up by 69% at Orion Royal Bank

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

ORION ROYAL BANK, the investment banking arm of Royal Bank of Canada which has recently been troubled by a spate of key personnel changes, has reported a rise of 69 per cent to £17.7m ($25.5m) in pre-tax consolidated profits for the year to September.

Consolidated profits after tax rose to £16.8m from £8.2m while shareholders' funds advanced to £132.2m from £129.4m and total assets slipped to £2.58bn from £2.61bn.

Key departures from Orion in recent months include not only Mr John Abell as chairman but also Mr John Langton, head of Eurobond sales, Mr Joe Cook, head of capital markets, as well as other senior Eurobond personnel.

This has given rise in the market to doubts over the Canadian parents' commitment to Orion, although since the fiscal year ended Royal Bank has agreed to subscribe additional capital of up to $70m.

France clears purchase of Cofaz by Norsk Hydro

BY FAY GJESTER IN OSLO

AFTER months of indecision, the French Government has approved the purchase of Cofaz, France's second-largest fertilizer manufacturer, by Norsk Hydro, the Norwegian industrial and energy group.

No price has been revealed, but the deal is believed to be the biggest foreign acquisition ever undertaken by a Norwegian concern. It will make Norsk Hydro Europe's largest producer of artificial fertiliser, with sales in this sector alone worth over Nkr 16bn ($2.1bn)

Shareholders in Cofaz include state-owned entities such as Banque Paribas. It was among those which agreed in principle to sell last May, but the deal depended on government approval and has been delayed by political opposition.

Hydro has accepted several French conditions including promising to build a NKr 1bn ammonia plant in France once the takeover is approved. Cofaz has more than a dozen factories in France, a labour force of around 4,000 and turnover of about NKr 5bn.

Confirmation of the decision by the French authorities is expected early this week.

Toppan Printing ahead midway

BY YOKO SHIBATA IN TOKYO

TOPPAN PRINTING, the second largest Japanese printing company, lifted pre-tax profits 6.6 per cent to Y19.84bn ($98m) in the half-year to November. Net profits were 8.5 per cent higher at Y9.3bn, on sales of Y302.7bn, up 5.2 per cent.

Securities division sales, including cash, credit cards and bonds, advanced by 8.1 per cent, although this growth area still accounts for only 3.8 per cent of turnover. General printing sector sales contributing 48 per cent to the total, advanced by 5.8 per cent.

UK COMPANY NEWS

Control Techniques on target with £1.1m profit

WITH BOTH subsidiaries showing higher sales and returns in all product ranges, Control Techniques has achieved a pre-tax profit of £1.1m for the year ended September 30 1985, compared with a minimum £1m forecast in last July's placing. The dividend is the promised 1.8p net per share.

The group is based in Newtown, South Wales, and makes electronic drives for the control of electronic motors used in a wide range of industrial processes. It now distributes in 19 countries including Germany, US, Canada and Australia, and its exports have been pushed up from 6 per cent to 24 per cent of total sales.

It came to the stock market via a placing of some 25 per cent of its capital at 115p per share. Some £1.4m was raised to help expansion, particularly exports.

Sales in the year rose from £4.45m to £6.5m with DC drive accounting for £5m (£3.4m), and AC drive for £1.77m (£990,000). Exports accounted for £1.6m (£250,000).

The directors say new medium large AC drives will be marketed later this year, and the new microprocessor controlled DC drive will go into production in March.

Order book for existing products is well up on this time last year. A recent sales conference attended by overseas delegates resulted in export orders in excess of £400,000 and this trend is expected to continue.

The profit for 1984-85 is almost double that of the previous year. A comparison has not been made with the results shown in the placing document because those included adjustments principally to eliminate the results, assets and liabilities of former subsidiaries whose activities were unrelated to group figures at the time of the placing.

After tax £335,000 (£52,000) and minorities £40,000 (£49,000), earnings are shown at 8.21p (4.75p) per share.

The group has acquired the freehold of the head office and R. and D. facility at Newtown, from the Mid Wales Development Board. In addition the Anyspeed factory in Telford has been extended by 9,000 sq ft and this should be operational by the end of the month.

KTK has moved its printed board assembly and computer testing into a new specially equipped 10,000 sq ft leasehold factory at Newtown, so releasing space for the increased production of large DC drives.

Oakwood up despite building side losses

Despite a £1.18m reduction to £12.8m in turnover, the Oakwood Group has lifted its pre-tax profit by 10.9 per cent from £184,000 to £204,000 for the year ended September 30 1985.

The figures were hit substantially by losses incurred in the wholesaling of building products, but the directors regard prospects for the current year more favourably and are lifting the dividend from 4.5p to 5p net, with a final of 3p.

The building products side was affected by highly competitive trading conditions and the increased incidence of bad debts. The contribution from civil and electrical engineering services continued to improve.

After tax £61,000 (£26,000) reduced by £35,000 losses brought forward, the net profit comes to £143,000 (£158,000) for earnings of 7.2p (7.9p) per share. Cost of the dividend is £100,000 (£74,000 after some 17.8 per cent waived).

Net tangible assets were shown at 177p (176p).

Norbain Electronics falls to £333,000

High investment and a worsening in trading conditions have resulted in a decline in interim profits of Norbain Electronics. Pre-tax figures of this USM company fell from £535,000 to £333,000 for the six months to October 31 1985.

Sales, however, rose sharply from £5.73m to £8.78m. This increase was as foreshadowed in the last annual report and arose as a direct result of heavy investments in sales and marketing personnel in the second half of last year. The company distributes electronic components.

The directors feel the company's profitability has now passed its worst and the outcome for the second half will show an improvement on the first.

First-half trading profits dropped from £570,000 to £462,000, before higher interest charges of £129,000 (£35,000). After a tax charge of £132,000 (£239,000) earnings per 5p share were shown reduced from 4.45p to 2.95p.

The directors say the investment programme has been specifically aimed at producing the soundest base for the company's future, while maintaining the earnings potential.

The company has added a number of significant opportunities both in widening its market place and in increasing its product range.

The directors say they have acted to return the company to an acceptable level of profitability, bringing forward whenever possible, new trading opportunities while containing any material increase in overheads.

However, they will continue to invest to provide future growth, but on a more phased basis to ensure that investment is kept in line with profitability requirements.

The directors believe that the company is in an ideal situation to take advantage of substantial new opportunities.

For the year ended April 30 1985 pre-tax profits came to £1.11m (£664,000), from which a dividend of 1.2p net was paid.

Philips sells remainder of CEI stake

Philips, the Dutch electronics group, yesterday sold its remaining 9.56 per cent stake in Cambridge Electronic Industries, the company floated off from Philips in 1981 and based in its Pye businesses. The shares were placed with a wide spread of institutions at 242p a share. CEI closed last night at 252p, up 2p on the day.

Mr Richard King, CEI's managing director, said that Philips, which had retained 40 per cent of the company at the time of the flotation, had always planned to dispose of its stake and had gradually reduced it to 9.5 per cent in three stages.

Philips now felt CEI was sufficiently established, with its own culture, to end its financial participation, he added.

J.H. Fenner chief gives warning for first half

J. H. Fenner (Holdings), the power transmission engineer, warned that its first half results were expected to be relatively weak in relation to the year as a whole.

Mr P. W. Barker, the chairman, told the annual meeting that continued adverse currency movements, particularly the South African rand, were affecting overall group profitability.

In addition he said a difficult economic climate in India was having an effect and added that the proceeds from the recent sale of the materials handling division were not available to ease the interest burden in the first quarter.

The warning follows Fenner's recent announcement of a downturn in taxable profits from just over £5m to just under £4m in the 1984/85 year. The dividend total was held at 5p through an unchanged final of 3p.

However, the chairman said that good progress was being made in home trading and in reducing working capital requirements. Also, the group's cash flow showed a marked improvement.

Black Arrow

Black Arrow has withdrawn the offer it made recently for Associated Furniture Holdings, following an accountants' report, but has instead acquired a 50.8 per cent stake in the company from Alan and Dianne Arnold for £76,878 and is offering the same price to other shareholders.

Audiotronic partially restructured

By David Goodhart

The loss-making distributor of public address and telephone equipment, Audiotronic, has been partially restructured in a move which gives the unlisted company, Midland City Partnership, a 35 per cent stake in its expanded equity.

Audiotronic is offering new shares—equivalent to 20 per cent of its enlarged equity—at the rate of 60 ordinary in Audiotronic for one ordinary in MCP.

MCP is a public unlisted company involved in the sale of building products and made profits of £105,000 in the first six months of 1985. To the end of February 1985, Audiotronic lost £1.2m on a turnover of £10.6m.

However the move is likely to be seen as close to a reverse takeover by MCP. Two MCP directors have been invited to take the place of two Audiotronic directors and a separate two Audiotronic directors will join the board of MCP.

Audiotronic will also be disposing of its public address and intercom distribution business and the telecommunications maintenance business of its subsidiary Eagle Distributors.

Audiotronic's share price rose 1½p to close at 5½p on Friday.

Appletree at £0.74m

Appletree, supplier of prepacked fresh vegetables to UK supermarkets, has turned in a pre-tax profit of £735,000 for the year ended September 30 1985, compared with £700,000 forecast in last June's USM placing document and with £589,000 attained for 1983-84.

A significant improvement in production facilities has been carried out in the year and the process is being maintained, the directors state. The company is actively responding to changes in the industry.

Current trading conditions are not easy but they are viewing the future with confidence.

The dividend is to be 1p net per share at a cost of £32,500.

Turnover for the year rose by 5.16 per cent to £14.13m. Earnings were 10.39p (7.17p) per share.

Electronic Machine lower

Further problems at the Davin Optical subsidiary in the second six months were blamed by the directors of Electronic Machine Co. for a reduction in pre-tax profits from £50,262 to £30,126 in the year ended September 30 1985 on turnover up from £1.79m to £1.93m.

At Davin the learning curve on certain major orders proved unexpectedly expensive. However, the problems have been largely overcome since the year-end and the dividend for 1984-85 is being held at 0.7p.

The current year has made a better start with all companies showing increased turnover and profitability and acceptable orders.

If the improvement continues consideration will be given to declaring an interim dividend in March.

The directors are continuing to explore the possibilities for expanding the group's activities, both organically and by acquisition.

Since the year-end a property surplus to requirements has been sold for £60,000 for a profit of a little over £20,000.

Earnings for the past year emerged at 1.3p, compared with 2.17p, per 5p share.

Runciman disposal

Walter Runciman has disposed of G. P. Turner and Company, a Lloyds insurance broker, and its subsidiary G. P. Turner, to British Linen Securities, a wholly-owned subsidiary of British Linen Bank.

Initial payment is £203,103, equivalent to the estimated net asset value of GPT at end-1985, and the proceeds will be used to reduce bank loans and overdrafts.

British Linen will try to sell GPT to a third party as soon as practicable.

Klearfold

The offer for sale of shares in Klearfold, a US company making plastic display packaging, has been oversubscribed. Applications for 11.3m shares have been received for the 5.1m shares being offered by Robert Flemming.

The company is capitalised at £15.9m at the 115p offer price, and estimates profits for 1985 of $1.8m.

Applications for 200 to 1,000 shares will be allocated in full, between 1,500 and 2,00 will get 1,100 shares, applications for 2,500 get 1,200 shares, and aplications for over 2,500 receiver about 40 per cent of the number applied for.

COMPANY NEWS IN BRIEF

BOGOD-PELEPAH, sewing machine and parts concern, made pre-tax profits of £128,000 (£100,000) for the half year to September 30 1985 on turnover of £2.52m (£2.29m). Earnings were 0.77p (0.516p) per ordinary share or 1.558p (1.032p) per "A" RV share. The interim dividend is 0.11p (0.1p) per ordinary and 0.22p (0.2p) per "A" RV share.

GREENSTAR HOTELS made a pre-tax profit of £116,000 (£12,000 loss) in the year ended September 30 1985, including £48,000 from a property sale. Turnover was £402,000 (£322,000). Earnings per share were 1.8p (nil). The company's shares are occasionally dealt in under section 535 (2) Rule for small companies.

F. COPSON, supplier of heating equipment and builders' materials, has lifted its turnover from £3.24m to £3.55m and its pre-tax profit from £50,141 to £54,189 in the half year ended October 31 1985. The directors say they have vigorously pursued margins and will continue to do so for the rest of the year. Available profit came to £33,173 (£25,361) for earnings per 5p share of 0.92p (0.7p).

CAMBRIAN & GENERAL Securities' net asset value per 25p ordinary share totalled 141.51p at end-December 1985. This compares with 116.67p at June 28 1985 and 123.73p at December 31 1984. Net asset value of the 7½p capital shares amounted to 208.37p, 142.37p and 159.32p at the respective dates.

RAEBURN Investment Trust lifted net profits from £2.6m to £2.73m for the year to November 30 1985 on gross revenue of £4.78m (£4.6m). Final dividend is 6.9p, making 10.5p against 9.5p. Earnings per share were 9.91p (9.45p). Net asset value per 25p share at the year-end was 424p (387.1p).

WOLVERHAMPTON & DUDLEY BREWERIES' annual meeting was told by Mr E. J. Thompson, the chairman and managing director, that trade in the first quarter had been encouraging, with particular advances made by Banks's mild and bitter in the take home sector. Sales of wine by the glass had again increased dramatically. He said that trading in the Black Country remained hard work but overall progress was on form. Mr Thompson will be succeeded by Mr D. G. F. Thompson as managing director on February 3.

F.T. Share Information

Austwhim Resources N.L. (Section: Mines—Australians)
Dialene (Chemicals)
German Securities Investment Trust (Investment Trusts)
Indian Ocean Resources (1982) Ltd (Mines—Australians)
J. S. Pathology (Industrials)
Millward Brown Paper (Paper, Printing & Advertising)
Nationwide Building Society 11⅜% 15/12/86 (Loans—Building Societies)
Snowdon & Bridge (Food, Groceries)
Technical Component Industries (Industrials)

Overheads rise hits Whitworth

Whitworth Electric (Holdings), wholesale distributor, has turned in an increased loss of £75,481 for the half year ended September 30 1985, compared with £64,968, and says the outcome for the full year will depend on the recovery of margins.

Turnover rose to £8.04m (£7.82m) but the gross profit was insufficient to cover the specific additional overheads of several rent reviews, bad debts and higher bank interest. Loss per 5p share was 1.9p (1.6p).

Action taken to reduce overheads has been successful but the anticipated improvement in gross margins has not yet occurred.

The Kingsbury branch has been closed, and that area will be covered by the Hammersmith unit.

For the year ended March 31 1985 the group profit was £15,000 (£354,000) and the dividend 1.51p.

Symonds improvement

Symonds Engineering raised pre-tax profits from £40,358 to £55,890 for the six months to September 30 1985 on turnover of £1.78m, against £1.59m.

The directors say that although turnover for April and May proved disappointing, the increase for the six months overall was encouraging.

They add that currently the order book is remaining at a reasonable level, but they believe it imprudent at this stage to forecast the extent and timing of a return to a satisfactory profit.

After increased tax of £21,364 (£3,631) net profits dropped from £36,727 to £34,526. There was, however, an extraordinary credit this time of £109,569, less £32,870 tax, arising in the sale of part of the company's listed investment.

Stated earnings per 5p share slipped from 0.354p to 0.332p, while the net interim dividend is maintained at 0.3p

SHARE STAKES

Changes in company share stakes announced over the past week include:

Ruberoid—Dr J. A. Roberts, director, has acquired 20,000 ordinary shares at 192p and now holds 30,000 shares.

Chloride Group—On January 9, Sir Michael Edwardes, director, purchased 50,000 ordinary shares at 40p and Mr R. J. Hancock, director, purchased 15,000 at 40p.

London and Edinburgh Trust—A. Bergbaum, director, has sold 25,000 ordinary shares.

Barrie Investments and Finance—G. J. Suckling, chairman and chief executive, has purchased a further 1.5m ordinary shares and now holds 2,143,908 ordinary.

W. A. Tyzack—J. C. V. Hunt has acquired 206,721 ordinary shares and now holds 292,957 shares (5.76 per cent); P. J. V. Hunt has acquired 206,722 ordinary and now holds 276,541 (5.44 per cent); D. S. Tyzack and P. J. V. Hunt disposed of holding of 620,165 shares (12.2 per cent). R. T. V. Hunt, director, has acquired 206,722 ordinary shares at 22⅛p and now holds 238,458 (4.69 per cent).

Newman Industries—Suter has reduced its holding to 8.7m ordinary shares (6.89 per cent).

Campari International—R. R. Benscher, director, has sold 50,000 shares at 40p.

Acorn Computer Group—C. J. Curry, director, has sold 38,000 ordinary shares at 33p.

FINANCIAL TIMES STOCK INDICES

	Jan. 17	Jan. 16	Jan. 15	Jan. 14	Jan. 13	Jan. 10	1985/86 High	1985/86 Low	Since Compilation High	Since Compilation Low
Government Secs.	81.28	81.32	80.98	80.61	80.95	81.45	84.57	78.02	127.4	49.18
Fixed Interest	87.10	87.11	86.64	86.70	87.42	87.67	90.38	82.17	150.4	50.53
Ordinary	1118.7	1113.2	1109.6	1094.3	1108.8	1119.8	1149.6	911.0	1149.6	49.4
Gold Mines	342.2	348.8	311.6	308.6	300 2	298.4	536.9	237.9	734.7	43.5
FT-Act All.Share	676.38	674.85	672.02	664.42	672.02	674.87	702.06	581.88	702.06	61.92
FT-SE100	1396.0	1394.5	1390.5	1370.1	1384.6	1394.5	1455.5	1206.1	1455.5	986.9

LADBROKE INDEX
1,118-1,122 (+8)
Based on FT Index
Tel: 01-427 4411

Over-the-Counter Market

Capitalisatn. £000's	Company	Price	Change on week	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
4,006	Ass. Brit. Ind. Ord.	118	—	7.3	6.2	7.2	6.7
—	Ass. Brit. Ind. CULS	121	—	10.0	8.3	—	—
4,082	Airsprung Group	70xd	—	6.4	9.1	11.7	15.2
950	Armitage & Rhodes	38	—	4.3	11.3	4.7	8.7
52,670	Bardon Hill	164	+2	4.0	2.4	20.8	21.6
3,028	Bray Technologies	56	—	3.9	7.1	6.7	7.7
476	CCL Ordinary	138	—	12.0	8.8	3.3	3.2
1,213	CCL 11pc Conv. Pref.	97	—	15.7	16.2	—	—
6,959	Carborundum Ord.	116	—	4.9	4.2	5.7	9.0
637	Carborundum 7.5pc Pf.	91	—	10.7	11.8	—	—
4,461	Deborah Services	57	+2	7.0	12.3	5.9	7.8
3,034	Frederick Parker	21	+1	—	—	—	—
1,624	George Blair	88	+10	—	—	3.8	6.5
2,477	Ind. Precision Castings	61	+3	3.0	4.9	16.1	13.5
13,702	Isis Group	172xd	−2	15.0	8.7	13.2	19.8
6,353	Jackson Group	122	+4	5.5	4.5	8.2	8.2
42,040	James Burrough	301	+7	15.0	5.0	9.5	9.5
3,317	James Burrough 9pc Pf.	95	—	12.9	13.6	—	—
7,399	John Howard & Co.	71	−2	5.0	7.0	5.6	8.9
3,240	Linguaphone Ord.	180s	—	—	—	6.6	6.9
—	Linguaphone 10.5pc Pf.	90s	—	15.0	16.7	—	—
24,206	Minihouse Holding N.V.	740	+60	6.9	1.0	32.3	30.7
724	Robert Jenkins	71	—	—	—	9.2	20.3
1,200	Scruttons "A"	30	—	—	—	—	7.7
1,684	Torday & Carlisle	69	+2	5.0	7.2	3.5	6.3
1,473	Trevian Holdings	325	—	4.3	1.3	18.6	18.2
6,280	Unilock Holdings	40	—	2.1	5.3	10.9	10.8
17,049	Walter Alexander	133	+1	8.6	6.5	7.6	9.2
4,688	W. S. Yeates	200	—	17.4	8.7	5.7	9.3

s = Suspended.

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price	+or-	Net Div.	Times covered	Gross Yield	P/E Ratio
180	F.P.	[illegible]	[illegible]	[illegible]	Abbott Mead Vickers	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Ashley (Laura) 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Cable & Wireless 50p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	♦Chancery Securities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	♦Charl. Foulks Lynch	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Chetwynd Streets 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	♦Cranswick Mill 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	♦Crests 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	♦Graphyte Surface 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Intl. Bus. Comms 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Intl. Inv. Tst. J'rsy wts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	♦Jacques Vert 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Ledon Inc. 50.01	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Merivale Moore 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	♦Monks & Crane 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	♦Norank Systems 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	SAC Intnl. 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	♦Sigmex Int.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	♦Sterling Publish'g 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Storehouse 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	♦W'Works.Ind.Hos. 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Allied Lon.Prop. 10¾% 1st Mort.Deb. 2025	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Brit. Assets 6% Uns. Ln. 1995	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	East Rand Prop. / Ests. & Agency 11¼% 1st Mort. Db. 2025	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	First Scot. Am. 11¼% Deb. 2016	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Intl. Inv. Tst. Jersey 15% Cum. Red. Pf.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Mid Sussex Wtr. 9¼% Red. Pref. 1990	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Nationwide Bldg. Soc. 13% 13/1/87	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	T. Finance 11¼% Gtd. Deb. 2015	[illegible]	[illegible]

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Barham Group	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Chemring Grp.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	East Rand Prop.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Goal Petroleum 5p	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Hogg Robinson	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Jefferson Smurfit	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Kind. Scot. Energy	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Lovell (Y.J.)	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Mountleigh	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Peel Hldgs.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Smith Bros.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Tarmac	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Taylor Woodrow	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Triplex	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Unitech	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible]

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
Bertsford (S. and W.)	Jan 17	Final 7.0	Peachey Property	Feb 19	Interim 3.0
Birmid Qualcast	Feb 14	Final 2.59	*Racal Electronics	Jan 30	Interim 0.7665
Desjan	Jan 29	Interim 5.0	*Rank Organisation	Jan 25	Final 7.2
Dalgety	Feb 11	Interim 11.0	Securicor	Feb 13	Final 1.1
Douglas (Robert M.)	Feb 22	Interim nil	*Thorn EMI	Jan 19	Interim 5.0
Fisk Lovell	Jan 24	Interim 6.0	*Union Discount	Jan 29	Final 26.0
Gold Fids SA	Feb 6	Interim 40c	Wagon Finance	Feb 14	Final 2.5
*ICI	Feb 27	Interim 18.0			
*Lloyds Bank	Feb 28	Final 17.0			
Lonrho	Jan 31	Final 6.5			
*Mercantile House	Jan 28	Interim 4.0			
Notts Manufg	Feb 11	Final 6.1			

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims—Biotechnology Investments, Restmar, David S. Smith.

Finals—Brooke Tool Engineering, Evode, Isle of Man Enterprises, Kennings Estates, Webber Electro Components.

FUTURE DATES

Interims—	
Cowan, de Groot	Jan 28
Cray Electronics	Jan 28
Parkdale	Jan 23
Finals—	
Barclays Bank	Mar 6
Copenhagen Handelsbank	Feb 12
Crescent Japan Investment Tst	Jan 22
Investors Capital Trust	Jan 23
New Tokyo Investment Trust	Jan 22
TACE	Jan 22

BRITISH UNDERWATER ENGINEERING announces that the management group and North Sea Assets have agreed to acquire the 48 per cent interest in the company previously held by the National Enterprise Board, a part of the British Technology Group. BUE now becomes a subsidiary of NSA, an Edinburgh-based investment trust managed by Ivory & Sime.

MANCHESTER Ship Canal: Textile group Highams announced it believed its holding of 47.67 per cent preference shares and 30.31 per cent ordinary shares represented about 16.6 per cent of the total votes in Manchester Ship Canal.

PROPERTY & Reversionary Investments has acquired Union Holdings, a privately owned property investment company, for £1.4m cash.

Public Works Loan Board rates

Effective January 15

Years	Quota loans repaid by EIP†	Quota loans A‡	Quota loans at maturity§	Non-quota loans A* by EIP†	Non-quota loans A* A‡	Non-quota loans A* at maturity§
1	—	—	12⅞	—	—	13⅝
Over 1 up to 2	12⅜	12⅜	12⅝	13¼	13¼	13⅜
Over 2 up to 3	12½	12½	12⅜	13⅜	13⅜	13
Over 3 up to 4	12½	12½	12⅛	13⅜	13⅜	12⅞
Over 4 up to 5	12⅜	12⅜	12	13⅛	13⅛	12¾
Over 5 up to 6	12¼	12¼	12	12⅞	12⅞	12⅝
Over 6 up to 7	12⅛	12⅛	12	12⅞	12⅞	12½
Over 7 up to 8	12	12	11⅞	12¾	12¾	12⅜
Over 8 up to 9	12	12	11¾	12¾	12¾	12½
Over 9 up to 10	12	12	11⅝	12⅝	12⅝	12⅜
Over 10 up to 15	11⅞	11⅞	11½	12½	12½	11⅞
Over 15 up to 25	11⅝	11⅝	11	11⅞	11⅞	11¾
Over 25	11⅛	11	10⅞	11⅝	11⅝	11⅝

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

INTERNATIONAL APPOINTMENTS

Top changes at Procter & Gamble

BY TERRY DODSWORTH IN NEW YORK

THE managerial baton passed with the minimum of fuss last week at Procter & Gamble, the dominant US household products company, where the retirement of Mr Owen Butler, the 62-year-old current chairman, is being accompanied by smooth promotions from the next two levels in the executive hierarchy.

Mr John Smale, 58, who steps up to the chairmanship, has been president of the company for 12 years and chief executive for five. Mr John Pepper, 47, who becomes president, has been the heir apparent in the group since being brought back from Europe to assume overall responsibility for the consumer products business two years ago.

Procter, one of the most consistently profitable US companies, suffered a severe decline in earnings (to $635m) in its fiscal year to June, and has seen margins under pressure for the last two years. But Wall Street is expecting some recovery this year after new policies quietly launched by Messrs Smale and Pepper get underway.

Mr Smale, known as a reserved, analytical executive, is widely credited with the strategy of moving Procter into the proprietary drugs business in a big way through a series of acquisitions. These culminated in the opportunistic bid for Richardson-Vicks, snatched last year from under the nose of Unilever, the Anglo-Dutch group, for $1.24bn. But before that, Procter had purchased the consumer division of G. D. Searle, and Norwich Eaton Drugs.

Mr Pepper, a more outgoing individual, whose career has taken him to Italy and Brussels, where he ran Procter's European activities, has presided over a decided turnaround in the consumer products operations, where Procter's market share had been under pressure in some of its base, high-volume products such as detergents and toothpastes. The erosion has been stopped in both areas.

Mr Pepper is said to have re-enthused management in these traditional strongholds of the Procter business, partly by a more team-oriented style of management. But his next challenge will be to expand the base in health care, where the Richardson-Vicks deal, embracing products such as Vick's anti-cold Vapo-Rub ointment, has already made Procter into one of the biggest players in the field. Recent news that US scientists feel they are making progress on better preventive medicines for the common cold will not have made his job any easier.

Smooth baton passing at Procter & Gamble, as Mr Owen Butler (left) retires as chairman, Mr John Smale (centre) steps up, and Mr John Pepper becomes president

Marsh & McLennan picks head

BY WILLIAM HALL IN NEW YORK

MR FRANK J. TASCO, aged 58, has been chosen to head Marsh & McLennan, the world's leading insurance broker, following the retirement of Mr John M. Regan, who has led the concern for more than a decade.

Mr Tasco, who has been elected chief executive and will suceed to the chairmanship after the annual meeting in May, takes over at a time when the company's earnings are recovering rapidly from a 1984 trough, when profits were depressed by heavy losses on unauthorised bond trading. The company's shares have risen from a 1984 low of $353 to a recent peak of $86½, and the group has a current stock market capitalisation of $2.3bn.

Unlike Mr Reagan, who came up through the retail insurance broking side of the group, Mr Tasco has spent the bulk of his career with Guy Carpenter, the group's reinsurance operation. He has been a director of the group since 1979, and became president and chief operating officer in September, 1984.

Mr Tasco says that Marsh and McLennan's business is currently benefiting from a "flight to quality" by corporate customers who are finding it difficult to get adequate insurance coverage following the insurance industry's heavy losses in recent years.

He believes that in terms of capacity and availability the outlook for the insurance industry will "be even more tight through 1986 and 1987." Wall Street analysts are bullish about the concern's prospects, because of the rapidly rising volume of premiums. Prudential-Bache Securities estimates that the company will nearly treble its 1985 earnings to $4.45 per share, and that earnings in the current year will rise by more than a fifth.

Mr A. J. C. (Ian) Smith, aged 51, a vice-chairman of the group, will replace Mr Tasco as president after the company's annual meeting.

Recruit for Republic New York

By Our New York Staff

MR HARRY TAYLOR, the Yorkshire-born international banker who resigned as president of Manufacturers Hanover Corporation last summer, is to head several of the offshore banking operations of Republic New York Corporation.

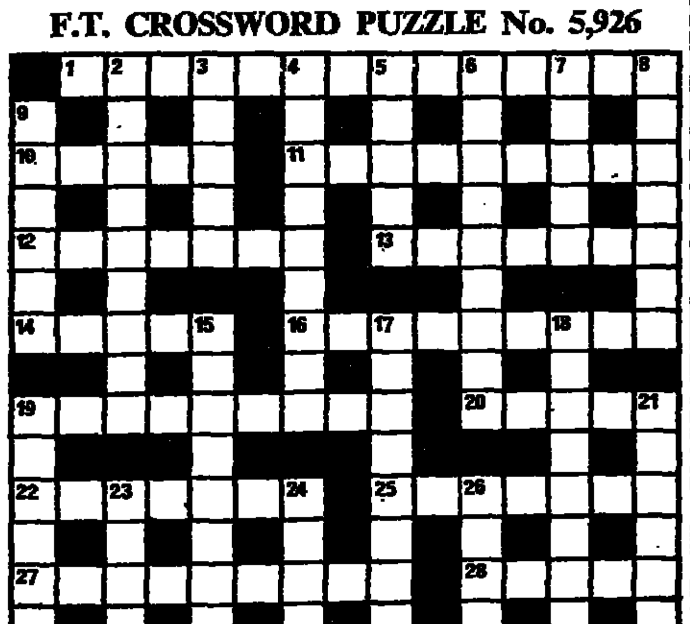
Mr Taylor, aged 58, is joining the board of Republic New York, the US banking group which was founded by Mr Edmund Safra, the Lebanese-born banker. In addition, he will take over from the 53-year-old Mr Safra as chairman of the group's Bahamas subsidiary, Republic National Bank of New York (International) and Republic National Bank of New York (Panama). He has also been named as chairman of Republic National Bank of New York (Guernsey) which is based on the island where he now lives.

Fluor elects Wright president

FLUOR CORPORATION, the California-based, international engineering and construction group, with interests in natural resources, has appointed Mr John A. Wright president and chief operating officer, in succession to Mr Buck Mickel, who has become vice chairman.

Since 1983, Mr Wright has been president, chairman and chief executive officer of St Joe Minerals, which he joined from International Paper Company in 1971, becoming vice president of sales in 1975. In 1980, he was promoted to executive vice president and elected to St Joe's board, and was elected to Fluor's Board following Fluor's acquisition of St Joe in 1981.

F.T. CROSSWORD PUZZLE No. 5,926



ACROSS

1 As usual with profit it's shared (6, 8)
10 Fresh credit is starting point (5)
11 Change one's mind and leave without complaint (9)
12 Joint probe reveals a racket (7)
13 Engineers have international agreement on type of road for racing event (7)
14 Appropriate way to cook fish (5)
16 Let lead get twisted by gripping it too late (9)
19 It can't be built up by inexperienced band (5, 4)
20 Demands for power seed variety (5)
22 Present is bad—pure chaos (5, 3)
25 Resistance would give power to this technician (7)
27 Congregating in a crowd round the drink (9)
28 Transport group adds fuel to dispute (5)
29 Resources used to pay electricity bill (7, 7)

DOWN

2 Launch is decked out to accommodate one soldier (9)
3 Wandered round aimlessly riding it? (5)
4 Being fused with lava, it could be negotiable (9)
5 After noon, bad driving conditions on road become better (5)
6 Make clear there has to be same width either side of window (9)
7 Previous bill is correct (5)
8 They accept responsibility for treatment (7)
9 Reduced supply after strike causes problems (4, 2)
15 Check back on broken crane (9)
17 The garlic stew can be dull (9)
18 Straighten floor carpet (5, 4)
19 With knowledge of variable costing (7)
21 Falling to find out about love (6)
23 Who shot the arsonist? (5)
24 The reason there's nothing in the measure (5)
26 Banned cricketer comes up with a pair (5)

The Solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

FINANCIAL DIARY FOR THE WEEK

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Circaprint. Larkfield Hotel. Larkfield. Maidstone. Kent. 11.30
Cosalt. Fishdock Road Grimsby. 2.30
Dundee and London Invst Tst. Royal Exchange, Dundee. 12.00
Hunslet. Hunslet Engine Works. Jack Lane. Leeds. 11.00

BOARD MEETINGS—
Finals:
Brooke Tool Engineering
Evode
Isle of Man Enterprises
Kennings Estates
Webber Electro Components
Interims:
Biotechnology Invs.
Restmor
Smith (David S.)

DIVIDEND & INTEREST PAYMENTS—
Argyll Group 2.65p
Atkins Bros (Hosiery) 1.7p
Bermuda Intl Bond Fund 30 cts
Bush Radio 1.2p
Carless Capel. Leonard 1p
Cattings 0.8p
Co-operative Bank Sub Fltg Rate Nts 2000 £150.50
Dawson Intl 1.9p
Dewhurst Dent 7pcLn 1990-2000 3½pc
Elys (Wimbledon) 7½pcDb 1986-91 3¾pc. 9¼pcLn 1995-99 4⅝pc
FKI Electricals 0.275p
Imperial Brewing and Leisure 3½pc2ndDb 1986 1¾pc. 7pc2ndDb 1987-92 3½pc. 6½pcLn 2004-09 3¼pc. 8pc2ndDb 1989-94 4pc. 10¼pcLn 1990-95 5¼pc
Penny. Giles Intl 0.6p
Premier Group 32 cts
600 Group 2.34p
Utd Spring. Steel 1.2p
Wolverhampton. Dudley Breweries 5.7p

TOMORROW

COMPANY MEETINGS—
Borthwick (Thomas). Butchers' Hall. 87 Bartholomew Close EC. 12.00
Leeds Group Post House. Bramhope. Leeds. 12.00
Marine Adventure Sailing Tst. 16 Finsbury Circus. EC. 5.00
Northern American Tst. Betsize House. West Ferry. Dundee. 10.00

BOARD MEETINGS—
Finals:
Appledore (A. & P.)
FII
First Leisure Corp
PLA Inds
Interims:
AGB Research
British Bloodstock Agency
Clark (Matthew)
Gelfer (A. & J.)
Hampson Inds
Scottish English & European Textile
Sommerville (Wm.)

DIVIDEND & INTEREST PAYMENTS—
Banca Nazionale Dell Agricoltura Fltg Rate Dep Receipts 1991 $4350.35
Bergen Bank As Fltg Rate Cap Nts 1991 $22.27
Canadian Imperial Bank of Commerce Fltg Rate Db 1994 $431.79
Dundee. London Invst Tst 3.4p
Exchequer 10¼pc 1995 5⅛pc
F and C Alliance Invest Tst 0.58p
Fleming Fledgling Invst Tst 6¼pcDb 1988-93 3⅛pc
Hydro Quebec Fltg Rate Nts Sers FY July 2002 $420.42
Marling Inds 0.7p
National Westminster Finance Gtd Fltg Rate Cap Nts 1991 $215.89
Rowlinson Secs 0.18125p
Royal Bank of Scotland 6p
Societe Generale Fltg Rate Nts 1991 $22.27

WEDNESDAY, JANUARY 22

COMPANY MEETINGS—
Devenish (J. A.). The Brewery. Hope Square. Weymouth. 12.15

BOARD MEETINGS—
Finals:
Anglia Television
Crescent Japan Inv Tst
Lookers
New Tokyo Inv Tst
TACE
Union Carbide
Interims:
Cantors

DIVIDEND & INTEREST PAYMENTS—
British Tar Prods 15p
Cacalt 2p
Exchequer 13¼pc 1987 6⅝pc
Exchequer 12pc 1999-2002 6pc
Genfinance NV Fltg Rate Nts 1994 $418.47
Industries Penoles SA de CV Fltg Rate Nts 1989 $255.56
Leeds Group 4p
Sweden (Kingdom of) 13.5pcLn 2010 (Reg) 6¾pc
Trafalgar House 6.1p
Treasury 14pc 1996 7pc
Treasury 13¼pcLn 1997 6⅝pc
Treasury 12¼pcLn 1992 6⅛pc
Treasury 11¼pc 2003-07 5⅝pc

THURSDAY, JANUARY 23

COMPANY MEETINGS—
Bass Bloomsbury Crest Hotel. Coram Street. WC. 12.00
General Stockholders Invst Tst. Winchester House. 77 London Wall. EC. 2.30
Ranks Hovis McDougall. Royal Lancaster Hotel. Lancaster Terrace. W. 12.00
Redfearn National Glass. Queen's Hotel. City Square. Leeds. 12.00
Stockholders Invest Tst. Winchester House. 77 London Wall. EC 12.45

BOARD MEETINGS—
Finals:
Bank Leumi (UK)
Beales (John)
Denmans Electrical
Derby Tst
French (Thomas)
Hill & Smith
Investors Capital Tst
Microgen
Interims:
Estates Property Inv
McKay Securities
Newman (Louis)
Parkdale
Property Security Inv Tst

DIVIDEND & INTEREST PAYMENTS—
British Steam Specialities 2.75p
Callyns 2.2p
Devenish (J. A.) 1025p
Fenner (J. H.) 3p
Hill Samuel Fltg Rate Nts 1992 $43.76
National Australia Bank 14 cts
Offshore Mining Fltg Rate Nts 1986 $43.44
Panama (Republic of) Fltg Rate Ser Nts 1991 C$342.60

FRIDAY, JANUARY 24

COMPANY MEETINGS—
Whessoe. St Ermin's Hotel. Caxton Street. SW. 12.00

BOARD MEETINGS—
Interims:
Bristol Channel Ship Repairers
Heath (Samuel)
Kenyon Securities
Whatman's

DIVIDEND & INTEREST PAYMENTS—
Anglo American Corp of South Africa 13.08318p
BPB Inds 3.5p
CPC Intl 55 cts
Canadian Imperial Bank of Commerce Fltg Rate Db 2084 $440.83
Carr's Milling Inds 4.25p
Chapman Inds 2.3p
Chloride 6pcPf 2.1p
Distillers 55p
Gen Stockholders Invst Tst 2p
Harris (Philip) 3.75p
Hazlewood Foods 4p
Hunslet 2p
NCR 22 cts
Ashbourne, Little 1p
Property Hldgs. Invst Tst 1.02p
Ranks Hovis McDougall 3.45p
Stockholders Invst Tst 1.7p
Tyzack Turner 3p
Utd Leasing 15p
Yarrow 9.5p

SATURDAY, JANUARY 25

COMPANY MEETINGS—
Bootham Engineers. York University. Heslington. York. 12.30

DIVIDEND & INTEREST PAYMENTS—
Bankers Tst New York 74.25 cts
Bootham Engineers 10p
Cement-Roadstone 7pcPf 2.275p
Debenhams 7¼pcLn 2002-07 3⅝pc 7¼pcLn 2002-07 3⅝pc
General Electric 58 cts
Hewden-Stuart Plant 10pcLn 2003-08 5pc
Manufacturers Hanover 81 cts
Treasury 13¼pc 2000-03 6⅝pc
Treasury 12pc 1995 6 pc
Treasury 2pc I-L 1990 £1.1248

SUNDAY, JANUARY 26

DIVIDEND & INTEREST PAYMENTS—
Treasury 7¼pcLn 1985-88 3⅝pc
Treasury 7¾pcLn 2012-15 3⅞pc
Treasury 2½pc I-L 2016 £1.458

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Mngt Ltd
66 Cannon St, London EC4N 6AE — Dlg. 01-236 3885

International Growth	124.7	133.4	+1.9	1.00
Income & Growth	46.2	49.2	+0.2	2.90
Special Situations	68.1	72.3		2.10
American Growth	29.5	31.4	+0.3	3.10
Japan Growth	34.8	37.0	+0.2	0.00
European Growth	52.5	56.2	+0.5	2.90
UK Growth	44.5	47.6		1.30
Pacific Growth	33.4	35.7	+0.1	0.70
High Income	29.5	31.6		8.10
Practical Income Units	44.0	46.8	+0.1	2.70
Practical Accum. Units	79.2	84.3	+0.2	2.70

Pearl Trust Managers Ltd (a)(g)
252 High Holborn, WC1V 7EB — 01-405 8441

Pearl Growth Fd.	71.8	76.4	+0.3	2.76
Accum Units	106.1	112.9	+0.3	2.76
Pearl Inc	97.9	104.1	+0.6	4.78
Pearl Unit T-t.	103.3	109.9	+0.5	3.80
(Accum. Units)	176.9	188.2	+0.8	3.80
Pearl Intl Equity	103.7	110.3	+0.8	1.81
(Accum Units)	103.7	110.3	+0.8	1.81

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames — 0491 576868

International Growth	221.3	237.5		1.39
Income	155.7	166.8	+0.8	5.30
Worldwide Recovery	124.7	133.9	+1.5	2.10
American Growth	59.8	64.2	+0.7	1.07
Intl. Emerging Cos	67.1	72.1	+0.4	0.72
Far East Growth Fd.	52.6	56.5	+0.5	1.16

Prolific Unit Trusts
222 Bishopsgate, London EC2 — 01-247 7544/7

Prolific American Inc	50.3	53.5	+0.4	4.57
Prolific Far East	113.1	121.6	+0.1	0.32
Prolific Extra Inc	68.0	72.1	+0.1	5.65
Prolific C'vert & Gilt	82.8	87.8	+0.1	7.18
Prolific High Inc	145.4	154.2	+0.7	4.80
Prolific Intl.	90.6	97.4	+0.5	1.70
Prolific N. Amer	124.3	133.4	+1.9	1.99
Prolific Spec. Sits	156.5	166.0	+0.1	1.37
Prolific Technology	106.0	114.0	+1.5	0.64

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh — 031-226 3271

American Fund	192.5	205.0	+1.8	2.34
(Accum. Units)	216.2	230.3	+2.0	2.34
(Withdrawal Units)	139.4	148.4	+1.3	2.34
Australian Fund	115.6	123.1	+2.8	0.94
(Accum. Units)	116.9	124.4	+2.8	0.94
British Fund	480.5	511.7	+0.8	4.58
(Accum. Units)	639.5	681.1	+1.1	4.58
European Fund	229.5	244.4	+1.6	1.00
(Accum. Units)	241.7	257.3	+1.6	1.00
Japan Fund	214.0	227.9	+1.9	0.37
(Accum. Units)	214.6	228.6	+2.0	0.37
Saints PPP	143.6	151.3		—

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham — 0403 56293

Equity Tst	332.4	353.6	+0.5	3.12
North America	51.5	54.7	+0.7	1.90
Far East	54.7	58.2	+0.2	1.03

Sun Life Trust Mgmt. Ltd
107 Cheapside, London EC2V 6DU — 01-606 6010

American Growth Acc.	25.3	26.8	+0.2	1.9
American Income Acc.	25.8	27.4	+0.2	4.6
American Income Inc.	25.5	27.1	+0.2	4.6
European Growth Acc.	42.0	44.7	+0.4	2.0
Far East Growth Acc.	28.7	30.5	+0.1	0.8
Intl. Growth Acc	28.2	30.0	+0.5	0.8
Japan Growth Acc.	34.9	37.1	+0.2	0.3
UK Growth Acc.	29.4	31.3	+0.3	2.4
UK Income Acc.	27.0	28.7		4.4
UK Income Inc.	26.4	28.1	+0.1	4.4
Managed Growth Acc	32.1	34.2	+0.2	2.2
Managed High Yield Inc.	32.7	34.8	−0.1	6.8
Managed Income Inc.	28.0	29.8	−0.1	4.2

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)
99-101 London Rd, Sevenoaks — 0732 450161

Equity Dist *	239.5	253.4	.	3.78
Equity Acc. *	288.3	305.0	.	3.78
Fixed Int. Dist †	115.1	119.2		11.35
Fixed Int. Acc. †	168.9	175.0		11.35

*Prices on Jan 8. Next dealing Feb 12
†Prices on Jan 2. Next dealing Feb 5

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL — 0793 28291

Confederation Life Insurance Co
50 Chancery Lane, WC2A 1HE — 01-242 0282

Assicurazioni GENERALI SpA
117 Fenchurch St, London EC3M 5DY — 01-488 0733

Legal & General (UA)—Contd.

Manufacturers Life Insurance Co (UK)
St George's Way, Stevenage — 0438 356101

Property Growth Assur Co Ltd—Contd

Providence Capital Life Assc. Co Ltd
30 Uxbridge Rd, London W12 8PG — 01 749 9111

Merchant Investors Assurance
Leon House, 233 High St, Croydon — 01-686 9171

General Portfolio Life Ins. Plc
Crossbrook St, Cheshunt, Herts — 0992 31971

Kingswood House, Kingswood, Tadworth, Surrey KT20 6EU — Burgh Heath 53456

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co. Ltd

Teachers' Assurance Company Ltd

Transatlantic Life Assur Co Ltd

Transinternational Life Ins. Co Ltd

Trident Life Assurance Co Ltd

Tunbridge Wells Equitable

Tyndall Assurance/Pensions

UK Provident

For UK Life see Windsor Life Assur.

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Windsor Life Assur Co Ltd

OFFSHORE AND OVERSEAS

Actibonds Investment Fund SA

Adig Investment

Albany Fund Management Limited

Alliance Capital Management Intl. Inc.

Allied Dunbar International Fund Mgrs.

Arbuthnot Securities (CI) Ltd (a)(c)(h)

Australian Gen Mngt Ltd

BIA Bond Investments AG

BNP Int Mgmt (Jersey) Ltd

Julius Baer Bank & Trust Co Ltd

TSB Life Ltd

The Bangkok Fund

Bank of America International SA

Barclays Unicorn International

Baring Fund Managers (Guernsey) Ltd

Baring International Group

Barrington Mgmt (CI)—Barrington Fd

Bishopsgate Commodity Ser. Ltd

Brazil Capital Services Ltd

Bridge Management Guernsey Ltd(a)(c)(h)

Bridge Management

Britannia Intl. Investment Mngmt Ltd

Brown Shipley Fund Mgmt (CI) Ltd

Butterfield Management Co Ltd

CAL Investments (IoM) Ltd

CAL Investments (Bermuda) Ltd

Capital International

Capital Preservation Fund Intl.

Cater Allen Investment Management (CI)

Charterhouse Japhet

Charterhouse Japhet Currency Mngt. Ltd

Citibank (CI) Ltd "Citifunds"

Cornhill Ins. (Guernsey) Ltd.

Cortaux International

Craigmount Fixed Int. Mngrs. (Jersey)

Credit Suisse

DWS Deutsche Ges. F. Wertpapiersp

Daehan Investment Trust Co Ltd

Dartrust Management (Guernsey) Ltd

Dean Witter World Wide Investment Trust SA

Delta Group

Deutscher Investment-Trust

Drexel Burnham Lambert

Dreyfus Intercontinental Inv. Fd.

Duncan Lawrie Inv. Mgt. Ltd

Dunedin Unit Trust Mgrs (Bermuda) Ltd

Dunn & Hargitt Group

EBC Trust Company (Jersey) Ltd

The English Trust Group

Equity & Law International Fund Mgs Ltd

Equity & Law International Life Assur Co Ltd

Bamford Brandt Guernsey Mngt. Ltd

Ermitage Management Ltd

Ermitage Management Cayman Ltd

Eurofund Management S.A.

Eurolife Assurance Group

S.G. Europe Obligations SA

Eurotax Investments Ltd

Fidelity International

Fleming Group

Forbes Securities Management Ltd

Foreign & Colonial Management Ltd

Framlington Overseas Fund Mngt. Ltd

Frankfurt Trust Investment—GmbH

Frobisher Fund NV

GT Management (UK) Ltd

Gartmore Fund Managers Ldn. Agents

Assicurazioni GENERALI SpA

Gartrust SA

Global Asset Management Corp.

Grofund Investment Services Ltd

John Govett Mngmt (Guernsey) Ltd

Greenhill Management Limited

Grindlay Henderson Mngt Ltd

Guinness Mahon Fund Mgrs (Guernsey) Ltd

Hambros Bank Ltd

Hambro Pacific Fund Mgmt Ltd

Hambros Fd Mgrs (CI) Ltd

Hellerup Scandinavian Fund Ltd

Henderson Admin. (Guernsey)

Henderson Management SA

Heritable & General Fund Mngrs (Jersey) Ltd

Hill Samuel Fd. Mngrs. (Guernsey) Ltd

Hill Samuel Investment Mgmt Intl SA

Holborn Fund Mngmt (Guernsey) Ltd

Holborn Fund Mngmt (Jersey) Ltd

I.C. Trust Managers Ltd

IGF Management Services Inc.

NV Interbeheer

International Bond Trust

Investissements Atlantiques SA

Invicta Investment Management

Jardine Fleming & Co. Ltd.

Kleinwort Benson Group

Kleinwort Benson (Guernsey) Fd Mngrs Ltd

Korea International Trust

Lazard Brothers & Co (Guernsey) Ltd

Lazard Brothers & Co. (Jersey) Ltd.

Lewis & Peat, Clarke (Guernsey) Ltd

Lloyds Bank (CI) U/T Mgrs.

Lloyds Bank International, Geneva

Lloyds Intl. Money Market Fund Ltd

Lloyds Life (Isle of Man) Ltd

M & G (Cayman) Ltd

M & G Island Fund

Man International Futures

Management International Ltd

Manufacturers Hanover Geofunds

Midland Bank Tst. Corp. (Jersey) Ltd

MIM (Jersey) Limited

Minerals, Oils Res. Shrs. Fd. Inc.

Murray, Johnstone (Inv. Adviser)

NEL Britannia Int Ass Ltd

NEL International Ltd

Nat. Westminster Jersey Fd. Mgrs. Ltd

Newport International Management

Nikko Int. Cap. Mngt. Co (Europe) Ltd

Nomura Growth Fund SA

Northgate Unit Tst. Mngr. (Jersey) Ltd

North Star Group of Companies

PFC Internatl Portfolio Fd Mngt Ltd

Pacific Basin Fund

Pacific Growth Fund

Parinter Bond Fund SA

Perpetual UT Mngrs (Jersey) Ltd

Phoenix International

Premium Life International Ltd

Prestige Management S.A.

Providence Capital International Ltd

Putnam International Advisers Ltd

Quantum Fund

Quilter/Hoblold Commodities

Quilter International Management Ltd

Rea Brothers (IoM) Ltd

Rothschild Asset Management (CI)

Rothschild Australia Asset Mgmt Ltd

Rouse Woodstock (Bermuda) Limited

Royal Bank of Canada Funds

Royal Trust International Fd. Mngt. Ltd(a)

SCUTECH SA

Sabre Futures Fund Ltd

Save & Prosper International

Scandinavian Bk Fd Mgrs Ltd

Schroder Mngt Services (Jersey) Ltd

J. Henry Schroder Wagg & Co Ltd

Schroder Unit Trust Mgrs. Int. Ltd

Scrimgeour Kemp-Gee Mngmt., Jersey

Securities Selection Ltd

Sentry Assurance International Ltd

Seoul International Trust

Seven Arrows Fund NV

Singer & Friedlander Ldn. Agents

Skandifond International

Societe Generale Merchant Bank plc

Standard Bank Fund Managers

Standard Chartered Off. Money Mkt Fund

State St. Bank Equity Hldgs NV

Strategic Metal Corp plc Metal Funds

Strategic Metal Trust Mngrs. Ltd

TSB Trust Funds (C.I.)

Taiwan (R.O.C.) Fund

Target International Management Limited

Tennant (Cayman) Managers Ltd

Thornton Management Ltd

Tokyo Pacific Holdings NV

Tokyo Pacific Hldgs. (Seaboard) NV

Tyndall Guardian Managers (Jersey) Ltd.

Tyndall International Ltd

Tyndall-Guardian Mngt Ltd.

M. G. Tyrrell & Co. Ltd.

US Federal Securities Fund SA

US Pacific Stock Fund

U.S. Treasury Securities Fund Ltd

Union Invest Fd Mgt Co SA Lux

Union-Investment-Gesellschaft GmbH

Unit Trust Services (Jersey) Ltd

United Fund Managers Ltd

Viking Fund—SICAV

Warburg Investment Management Jersey Ltd

Warburg Inv Mngmt (Isle of Man) Ltd

Wardley Fund Managers (Jersey) Ltd.

Wardley Investment Services Ltd.

WestAvon Secs. (Guernsey) Ltd

World Bond Fund

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$14.35		+0.10	—

World Wide Growth Management◆
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$14.90			—

Inv. Adv. M. & G. Inv. Mngt. Ltd., London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$11.64			—
Dynamic Gwth Fd.	$16.87			

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$10.41	11.08	

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	11.45			3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST 01-236 0952				
Call Fnd	11.77	8.89	12.07	6mth
7-day Fnd	11.79	8.81	12.08	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE 01-236 1425				
Call Fnd	11.62	8.69	12.64	6-Mth
7-day Fund	11.06	8.40	12.24	6-Mth
Dollar	6.75			6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh, EH2 4DF 031-225 8484				
Full Service Chq Acc.	11.50	8.50	12.53	Qr
Aitken Hume 30 City Road, EC1Y 2AY 01-638 6070				
Treasury Acc.	11.75	8.78	12.97	Qr
Mth Int Chq.	11.75	8.78	13.06	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
HIBCA	13.00	9.72	14.52	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	12.15	9.08	13.53	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	12.25	9.125	13.49	Qr
Britannia Investment Services Ltd. 74-78 Finsbury Pavement, EC2A 1JD 01-588 2777				
Cater Allen	11.75	8.78	13.06	Mth
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH 01-248 3999				
Sterling	12.00	8.96	13.35	Mth
U.S. Dollar	7.25	7.25	7.50	Mth
German Marks	4.25	4.25	4.33	Mth
Swiss Francs	1.50	1.50	1.51	Mth
Japanese Yen	5.00	5.00	5.12	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-748 9251				
Money Market Plus		9.33	13.57	Mth
Tyndall & Co 29-33 Princess Victoria St, Bristol 0272 732241				
Demand Acc	12.24	9.14	13.55	Qr
Money Acc.	12.04	9.00	13.29	Qr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc	10.75	8.04	11.31	Mth
Over £10,000	11.00	8.22	12.20	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL1 5SE 0752 224141				
High Int Chq Acc	12.50	9.67	13.81	Qr

NOTES—Gross rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yield % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. * Guernsey gross. ‡ Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ● Yield column shows annualised rates of NAV increase. xd ex dividend.

OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Metal Closures	14
BOC Grp	27	Midland Bk.	35
BSR	8	NEI	10
BTR	33	Nat West Bk	55
Babcock	13	P & O Dfd	35
Barclays	33	Plessey	14
Beecham	30	Polly Peck	21
Blue Circle	50	Racal Elect.	15
Boots	18	RHM	12
Bowaters	30	Rank Org Ord	35
Brit Aerospace	32	Reed Intnl	60
Brit. Telecom	17	Sears	11
Brown (J.)	3½	TI	35
Burton Ord	45	Tesco	24
Cadburys	13	Thorn EMI	34
Charter Cons.	18	Trust Houses	12
Comm Union	23	Turner Newall	9½
Courtaulds	13	Unilever	90
Distillers	36	Vickers	35
FNFC	12	**Property**	
Gen Accident	55	Brit Land	14
Gen Electric	14	Land Secs	26
Glaxo	100	MEPC	26
Grand Met	30	Peachey	24
GUS 'A'	78	Samuel Props	15
Guardian	60	**Oils**	
GKN	20	Brit. Oil & Min.	3½
Hanson Tst.	18	Brit Petroleum	45
Hawker Sidd.	36	Burmah Oil	27
ICI	42	Charterhall	4
"Imps"	16	Premier	5
Jaguar	27	Shell	55
Ladbroke	27	Tricentrol	19
Legal & Gen.	60	Ultramar	18
Lex Service	24	**Mines**	
Lloyds Bank	35	Cons Gold	40
Lucas Inds.	38	Lonrho	12
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
25 Aug	25 Feb	Exch. 11¼pc '86	[illegible]	19.7	11.77	11.39
11Oct	11Apr	Treas. 10pcCnv 1986	[illegible]	4.9	10.06	12.68
19 Nov	19 May	Treas 3pc 1986	[illegible]	14.10	3.07	10.72
19 Nov	19 May	Exch. 10½pc 1986	[illegible]	14.10	12.03	12.55
12Dec	12Jun	Treas 12pc 1986	[illegible]	5.11	12.02	12.39
10 Jan	10 Jul	Treas 8¾pc 1984-86‡‡	[illegible]	12	8.65	12.64
29 Apr	29 Oct	Exch. 14pc 1986	[illegible]	23.9	13.87	12.55
21 May	21 Nov	Exch. 2½pc 1986	[illegible]	15.10	2.62	8.23
22Jul	22Jan	Exch. 13¼pc 1987	[illegible]	26.12	13.14	12.38
10 Aug	10 Feb	Treas 10½pcCv '87	[illegible]	6.1	10.45	12.30
24Aug	24Feb	Exch 2½pc 1987	[illegible]	18.7	2.67	8.76
6Oct	6Apr	Exch. 10½pc 1987	98	2.9	10.71	12.27
1 Nov	1 May	Funding 6½pc '85-87‡‡	[illegible]	25.9	6.90	11.66
12Dec	12Jun	Treas. 10pc 1987	[illegible]	5.11	10.28	12.17
14Jan	14Jly	Treas 3pc 1987	[illegible]	9.12	3.28	9.29
3May	3Nov	Treas. 12pc 1987	[illegible]	27.9	12.02	12.07
26 Jul	26 Jan	Treas 7¾pc 1985-88‡‡	[illegible]	20.12	8.30	11.53
10Nov	10May	Exch 10½pc '88	[illegible]	4.10	10.79	11.85
14Dec	14Jne	Treas 9¾pc Cv '88	[illegible]	7.11	10.18	11.82
1Jan	1Jul	Transport 3pc '78-88	[illegible]	25.11	3.44	8.99
25 Apr	25 Oct	Treas. 9½pc '88	[illegible]	18.9	10.06	11.89
22 Aug	22 Feb	Treas 11½pc 1989	[illegible]	16.1	11.59	11.85
18 Oct	18 Apr	Treas 9½pc Cnv. '89	[illegible]	11.9	10.13	11.85
15Nov	15May	Treas 3pc 1989	[illegible]	9.10	3.60	8.92
14Dec	14Jun	Treas 10½pc 1989	[illegible]	7.11	10.87	11.75
1Feb	1Aug	Exch.10pc 1989	[illegible]	27.12	10.54	11.84
29 Mar	29 Sep	Exch 11pc 1989	[illegible]	23.8	11.25	11.75
15 Apr	15 Oct	Treas 5pc 1986-89	[illegible]	9.9	5.88	9.87
15 May	—	Exch 10½pcCv '89	[illegible]		10.70	11.64
15 Jul	15 Jan	Treas 13pc 1990‡‡	[illegible]	9.12	12.48	11.68
12 Aug	12 Feb	Exch 11pc 1990‡‡	[illegible]	6.1	11.29	11.83
22 Sep	22 Mar	Exch. 12¼pc 1990	[illegible]	16.8	12.18	11.68
8 Nov	8 May	Treas. 3pc 1990	[illegible]	2.10	3.74	8.87

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Nov.	June	Metal Closures	148	16.9	6.7	2.0	6.8	8.7
—		Metal Sciences 2½p	6½	—	—	—	—	—
—		Metsec 10p	73	—	bg2.46	2.4	4.8	12.3
July	Jan	Midland Marts	90	25.11	4.0	2.1	6.3	10.8
Jan	May	Mitchell Cotts	66½	25.11	4.25	2.0	9.1	(6.7)
Jan.	July	Morgan Crucible	225	11.11	18.0	1.6	5.1	15.6
May		Morris (W) F.A. 20p	19	—	g0.5	♦	3.8	♦
Jan.	Aug.	Moss (Robt.) 10p	106	25.11	13.0	2.7	4.0	11.4
July		Myson Grp 10p	74	25.11	g2.5	3.4	4.8	14.1
Nov	June	NMW Computers	290	14.10	14.8	2.7	2.4	22.3
Mar.	Sept.	Nash Inds.	28	13.1	0.5	—	2.6	—
—		Neil & Spencer 10p	19	781	♦	—	—	5.7
Jan	July	Newman Inds 10p	33	14.10	Z0.3	—	1.3	15.6
April	Dec	Norton	57	11.11	0.95	2.6	2.4	8.1
Jan.	Aug.	Norcros	198	23.12	18.6	2.0	6.2	10.8
[illegible]		[illegible]						

LEISURE—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Jan	April	LWT	278	25.11	14.4	1.8	7.4	10.6
—		Leisure Inv 10p	34	—	—	—	—	♦
Jan	July	Leisuretime Int 10p	71	12.8	12.1	3.9	4.2	7.6
—		Lewmar	182	—	u2.63	3.0	3.7	12.6
14.2		Media Tech Int 20p	212	16.9	g2.58	5.4	1.7	17.2
Apr.	Dec.	Medminster 10p	165	25.11	5.35	2.0	4.6	15.1
Oct	May	Miss World 10p	145	2.9	3.6	4.1	3.5	9.9
May		Nationwide Leisure	63½	16.9	3.25	2.5	8.4	5.6
—		Norsk Int 20c	13	—	—	—	—	—
July		Owners Abroad	24	29.4	1.0	2.2	6.0	10.7
—		Photax (Lon.)	48	4'82	—	—	—	—
April		P'dilly Radio NV 5p	29½	12.8	2.0	♦	10.0	♦
	December	Pineapple Dnc St 10p	40	24.12	—	—	—	—
Sept.	Apr	Pleasurama 5p	287	2.9	4.6	3.7	2.3	17.0
Sept.	Mar.	Do. 7pcCvCmRedPf	143	12.8	7%	—	7.0	—
[illegible]		[illegible]						

PROPERTY—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
June	Jan	Hardanger Prop 10p	247	9.12	9.8	2.6	5.7	9.2
Feb.	Oct.	Haslemere 10p	498	23.12	19.6	1.4	2.8	32.0
Jun	Nov	HK Land	60	12.10	Q1c	18.6	0.1	36.5
May	Oct	Hunt Prop London 50p	335	14.10	9.0	2.5	3.8	11.8
Apr	Oct	Imry Property	298	2.9	5.3	1.5	2.6	35.0
Mr Je Sp Dc		Int Inc Ppty $0.01	747	30.7	Q88c	—	7.9	—
	October	Jermyn Invest	160	12.8	1.63	3.5	1.5	25.6
May	Nov	Laing Properties	287	14.10	6.25	2.4	3.1	15.5
June	Dec	Do 8½pcLn 2000-05	£134	23.12	Q8½%	6.2	16.6	—
May	Oct	Land Investors	56	16.9	1.2	1.5	3.1	31.6
Dec.	July	Land Securities £1	285	25.11	18.15	1.6	4.1	21.7
Oct.	Mar.	Lend Lease 50c	318	7.3	gQ60%	♦	4.8	♦
Jan	July	Lond & Edinburgh 10p	455	25.11	16.25	3.6	2.0	17.3
June	Dec	Do. 6½pc Cv Pf	149	25.11	6½%	—	6.2	—
Dec	June	Lon. Prov. Sho 10p	225	25.11	4.6	2.0	2.9	(19.9)
[illegible]		[illegible]						

INVESTMENT TRUSTS—Cont.

Dividends Paid		Stock	Price
Apr	Aug	Drayton Japan	422
Apr.	Aug.	Drayton Premier	514
Nov.	May	Dualvest Inc 50p	60
Oct	May	Do. Capital £1	£11½
Jan.	July	Dundee & London	182
	April	Edinburgh Am. Tst.	106
July	Dec	Edinburgh Fin Tst.	38
June	Dec.	Edinburgh Inv.	121
—		Edinburgh In Wrts.	29
Jan.	July	Electra Inv. Tst.	135
Feb.	Aug.	Elect. & Gen	290
	April	Energy Res. & Serv 5S	360
	April	Eng & Dutch Inv (PfCt)	£31
Dec.	July	Eng. & Intnl. Tst.	138
—		Do. Warrants	47
[illegible]		Eng. & NY Trust	113

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		Colby Res Corp	65	—	—	—	—
Aug.	Feb.	Cons. March. 10c	300	13.1	Q8½c	3.9	‡
—		Ennex Int. Ir10p	38	—	—	—	—
—		Greenwich Res.	80	—	—	—	—
Apr	Oct	Hampton Areas 10p	143	23.12	3.75	0.9	3.5
—		Highwood Res.	175	—	—	—	—
May	Aug	Homestake Mining $1	£18¼	30.10	Q20c	—	0.7
—		McFinley Red Lake	230	—	—	—	—
—		Musto Explorations	240	—	—	—	—
—		New Sabina Res C$1	42	—	—	—	—
—		Northgate C$1	245	977	—	—	—
Jan.	July	RTZ	568	28.10	120.0	2.8	5.1
Jan	July	Do. 9¼pcLn '95-2000	£124	28.10	Q9¼%	14.0	7.7
—		Tara Expln $1	812	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed, dealings permitted under Rule 535(4)(a).
- ✝ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim, reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¥ No par value.

B Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+/−
Albany Inv 20p	102	
Craig & Rose £1	850	
Finlay Pkg 5p	45	—
Holt (Jos) 25p	720	
IoM Sum. £1	60	

IRISH

Stock	Price	+/−
Fund 13¼% 1988	£97⅝	
Nat. 9¾% 84/89	£93⅛xd	
Fin. 13% 97/02	£104	+¼
Arnotts	230	
CPI Hldgs	57	
Carroll Inds	145	
Dublin Gas	78	
Hall (R. & H.)	58	−1
Heiton Hldgs	25	
Irish Ropes	47	
Unidare	128	

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BUILDING

Reclamation in Hong Kong

MARPLES INTERNATIONAL, Bath, has been awarded a £9.5m contract from the Hong Kong Housing Authority. The order, which forms the first stage of a public rental and home ownership housing scheme at Kellett Bay (Kai Lung Wan) on the western coast of Hong Kong Island, is to construct a 500-metre sea wall and to reclaim an area of nearly 60,000 sq metres. The reclamation part of the contract means that Marples will need to excavate 1.6m cu metres of soft material and then fill this with rock from a "borrow area" near the site. Work is due for completion in autumn 1988.

Supermarket at Uxbridge

Two contracts in West London, together worth £4.3m, have been won by JOHN MOWLEM & CO. At Belmont Road, Uxbridge, Mowlem is to build a 6,000 sq metres supermarket for property developers CCL (Uxbridge). The supermarket will be occupied by Sainsbury and will have a sales area of 3,011 sq metres. Valued at £3m the contract includes removal of a steep embankment on the site where the ground level is being lowered by 20 feet, and the installation of 600 piles, some of which will form a continuous piled wall. Construction will be of pre-fabricated concrete frame with brickwork cladding and profiled metal deck roof with a slate covered mansard to the perimeter. Car parking for 455 cars, access roads, road widening and two roundabouts also form part of the scheme. At Portsmouth Road, Thames Ditton, Mowlem has won a £1.3m contract for a BMW service centre. On a crowded site with restricted access the company is erecting a steel-framed, metal-clad structure, part single and part two-storey which will house workshop facilities for Cooper Thames Ditton. Work has started for completion in June.

Services orders for Haden

HADEN YOUNG has been awarded four contracts worth £4m, two of which are for the West Midlands Health Authority. At Warwick District General Hospital, Haden Young is installing air conditioning and mechanical services worth £1.12m for four new operating theatres, together with intensive care and acute wards under sub-contract to Wimpey Construction. Haden Young is acting as prime contractor at Rubery Hill Hospital, Birmingham, in replacing existing oil-fired boiler plant with coal-fired equipment in a contract worth £0.99m. As part of an Imperial Group re-development project at Bedminster, Avon, Haden Young is carrying out a £1.22m mechanical services sub-contract to William Moss Construction. In Scotland, air conditioning and mechanical services work for Glaxochem, Montrose, is worth £0.67m.

Fairclough builds supermarket

FAIRCLOUGH BUILDING has won a £2.5m retail development contract from Hillards, West Yorkshire supermarket operator. The company has been appointed management contractor for a superstore at Atherton, Greater Manchester. Work has begun on the single-storey steel-framed building, which will have a floor area of 500m sq metres—around half of which will be sales space. Finished in brickwork cladding to tone in with surrounding buildings, the development will have a single-membrane flat roof, hidden by parapets and mansard roofs in reconstructed slate. There will be a canopy roof over an arched walkway on two sides of the building. The 39-week project is due for completion in June.

Work has now begun on a Swansea city centre external repair project by the Wales division. Due for completion in July, the project entails removal and complete replacement of all facing brickwork on the six-storey West Glamorgan House. The building, owned by PAT Pensions Ltd, is to be re-faced with new brickwork using stainless steel fixings and lead cappings to parapets and sills. Worth over £400,000 to Fairclough, the contract includes works to the building's reinforced concrete frame together with repairs to the roof, parapet walls, windows, new damp courses and internal parts.

★

JOHN WILMOTT CONSTRUCTION has been awarded a contract in the region of £403,000 for an extension to the staff restaurant, basement and workshop area for Glaxo Group Research at Ware, Herts.

Hospital work for Irwin

The Nuffield Trust has awarded a £2m building alteration and extension contract at Purey Cust Hospital in central York to WM. IRWIN & CO. (NORTH). Work has started and will last for about two years. Two other hospital contracts awarded to Irwins are a Day and Resource centre at St. Mary's Hospital, Armley, for the Leeds Western Health Authority and refurbishment of wards at St. James' Hospital for the Leeds Eastern Area Health Authority.

★

WILTSHIER NORTHERN has won contracts worth £1.75m. The largest is at St Cuthbert's Way, Newton Aycliffe, for three interlinked two-storey office buildings for the Aycliffe & Peterlee Development Corporation. The project—valued at about £700,000—is due for completion in May. Further fitting out work for Argyll Properties has been awarded for the store at Hexham valued at £617,000, due for completion in March.

★

WALTER LAWRENCE (CITY) has started work on the first phase of a small animal referral hospital in North Mymms, Hertfordshire, on behalf of the Animal Care Trust of the Royal Veterinary College. This phase which will cost £1.2m, consists of the operating theatre wing, setting up the main drainage system for the entire hospital, and various external works. The work will be carried out over a 65-week period and is expected to be completed by the end of July, and formally opened in November.

★

Dover Harbour Board has awarded the contract for the final stage of the £6m land reclamation at the Eastern Docks to COSTAIN CIVIL ENGINEERING. The £1.11m contract for the surfacing and provision of services is due to start shortly. The five hectare reclamation area will be used for the parking of import freight vehicles. Work on the whole project is scheduled for completion by the end of May.

Contracts and Tenders

Public Notices

Art Galleries

Clubs

WORLD STOCK MARKETS

Indices

NEW YORK

DOW JONES

	Jan. 17	Jan. 16	Jan. 15	Jan. 14	Jan. 13	1985-86 High	1985-86 Low	Since Comp'n High	Since Comp'n Low
◆Industri'ls	1536.70	1541.63	1527.28	1519.04	1520.53	1565.71 (7/1/86)	1184.96 (4/1/85)	1565.71 (7/1/86)	41.22 (2/7/32)
Home Bnds	84.28	84.15	84.11	83.73	83.95	84.67 (7/1/86)	72.72 (20/5)	—	—
Transport..	716.64	712.49	698.84	692.78	692.51	723.31 (16/12)	553.03 (4/1/85)	723.31 (16/12/85)	12.32 (8/7/32)
Utilities ...	172.75	173.63	173.01	172.55	172.39	179.06 (7/1/86)	146.54 (4/1/85)	179.06 (7/1/86)	10.5 (28/4/42)
Trading Vol 000's	132,130	130,480	122,420	113,920	108,835	—	—	—	—

◆Day's High 1552.52 (1547.71) Low 1519.72 (1517.09)

Industrial dividend yield %	Jan. 10	Jan. 3	Dec. 27	year ago (aprox)
	4.21	4.11	4.12	4.94

STANDARD AND POORS

	Jan. 17	Jan. 16	Jan. 15	Jan. 14	Jan. 13	1985-86 High	1985-86 Low	Since Comp'n High	Since Comp'n Low
Industrials	230.84	231.89	230.97	229.22	229.36	237.02 (7/1/86)	182.24 (4/1/85)	237.02 (7/1/86)	3.62 (30/6/32)
Composite	208.43	209.17	208.26	206.64	206.72	213.80 (7/1/86)	163.60 (4/1/85)	213.80 (7/1/86)	4.40 (1/6/32)

	Jan. 8	Dec. 31	Dec. 24	Year ago (approx.)
Industrial dividend yield	3.46	3.38	3.45	4.15
Industrial P/E ratio	14.61	14.88	14.60	10.31
Long Gov. Bond yield	9.32	9.24	9.29	11.40

N.Y.S.E. ALL COMMON

Jan. 17	Jan. 16	Jan. 15	Jan. 14	1985-86 High	1985-86 Low
120.34	120.82	120.12	119.21	123.14 (7/1/86)	94.60 (4/1/85)

Rises and Falls

	Jan. 17	Jan. 16	Jan. 15
Issues Traded	1,992	1,978	2,003
Rises	816	913	1,071
Falls	742	632	475
Unchanged	434	433	456
New Highs	107	84	69
New Lows	6	3	3

TORONTO	Jan. 17	Jan. 16	Jan. 15	Jan. 14	1985-86 High	1985-86 Low
Metals & Minerals	—	2259.7	2219.5	2146.39	2259.7 (16/1/86)	1740.82 (31/10)
Composite	2869.2	2878.2	2853.6	2811.98	2900.5 (31/12)	2348.5 (8/1/85)
MONTREAL Portfolio	148.67	148.92	133.57	137.48	148.07 (17/12)	17.00 (4/1/86)

	Jan. 17	Jan. 16	Jan. 15	Jan. 14	1985-86 High	1985-86 Low
AUSTRALIA All Ord. (1/1/80)	1068.7	1068.9	1056.5	1048.6	1068.7 (17/1/86)	715.3 (7/1/85)
Metals & Mins. (1/1/80)	553.4	548.7	551.2	528.4	568.6 (28/6)	382.5 (7/1/85)
AUSTRIA Credit Aktien (2/1/62)	128.22	128.29	126.82	125.74	128.82 (15/1/86)	58.21 (24/1/85)
BELGIUM Brussels SE (3/1/80)	2810.4	2798.82	2768.31	2768.26	2866.58 (25/11)	2880.7 (18/1/85)
DENMARK Copenhagen SE (3/1/83)	219.69	218.75	219.66	218.51	257.76 (2/1/86)	158.44 (9/1/85)
FRANCE CAC General (3/1/80)	276.5	276.5	272.5	270.2	282.3 (8/1/86)	180.9 (3/1/85)
Ind Tendance (31/12/82)	105.1	105.8	104.0	105.1	108.2 (9/1/86)	100.0 (31/12/85)
GERMANY FAZ Aktien (31/12/58)	710.93	714.95	716.76	707.2	716.76 (15/1/86)	382.56 (3/1/85)
Commerzbank (1/12/53)	2149.7	2156.5	2161.8	2106.1	2161.8 (15/1/86)	1111.8 (3/1/85)
HONG KONG Hang Seng Bank (31/7/64)	1806.88	1797.22	1785.66	1782.25	1826.84 (9/1/86)	1220.74 (3/1/85)
ITALY Banca Comm Ital. (1972)	486.52	474.97	475.65	471.45	486.52 (17/1/86)	228.56 (2/1/85)
JAPAN** Nikkei (16/5/49)	13009.70	13027.1	(C)	12928.6	13138.9 (4/1/85)	11545.2 (5/1/85)
Tokyo SE New (4/1/68)	1034.26	1034.87	(C)	1027.9	1057.55 (10/7)	916.93 (4/1/85)
NETHERLANDS ANP-CBS General (1970)	265.2	266.4	261.8	258.1	267.9 (8/1/86)	186.6 (3/1/85)
ANP-CBS Indust (1970)	255.5	253.9	248.8	245.8	255.5 (17/1/86)	147.9 (3/1/85)
NORWAY Oslo SE (4/1/83)	401.58	402.81	401.52	401.97	412.68 (12/11)	288.16 (2/1/85)
SINGAPORE Straits Times (1966)	614.35	619.85	628.15	634.0	852.85 (7/5)	598.16 (23/12)
SOUTH AFRICA JSE Gold (28/9/78)	—	1277.3	1245.3	1184.1	1277.3 (17/1/86)	829.3 (5/8)
JSE Indust (28/9/78)	—	1099.0	1105.7	1101.6	1112.8 (8/1/86)	767.1 (7/5)
SPAIN Madrid SE (30/12/85)	112.40	110.80	109.32	108.55	112.40 (17/1/86)	100.0 (30/12/85)
SWEDEN Jacobson & P (1/1/58)	1792.45	1803.82	1,806.00	1819.21	1907.25 (8/1/86)	1285.32 (8/7)
SWITZERLAND Swiss BankCpn (31/12/58)	608.0	610.5	605.2	598.7	625.5 (8/1/86)	388.7 (3/1/85)
WORLD M.S. Capital Intl. (1/1/70)	258.4	—	254.8	252.7	259.0 (7/1/86)	184.8 (4/1/85)

**Saturday January 18 Japan Nikkei —2.92 at 13,006.78. TSL —0.81 to 1,033.45.

Base value of all indices is 100, except: JSE Gold—255.7; JSE Industrial—264.3; Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
IBM	2,505,000	150⅞	−5⅛	Exxon	1,459,300	52¾	−½
Mobil	2,033,900	30¾	−½	K. Mart	1,407,400	35¾	+⅞
Bank America	1,874,900	13¾	−⅞	Merrill Lynch	1,329,600	38¾	+1
ATT	1,585,100	22⅞	−¼	Schlumber	1,298,700	34⅞	−¼
Grace W. R.	1,518,300	57	+2¼	GTE Corp	1,289,500	47⅜	−½

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FRANCE

SWITZERLAND

AUSTRALIA

GERMANY

NORWAY

ITALY

HONG KONG

NETHERLANDS

SWEDEN

SOUTH AFRICA

SINGAPORE

JAPAN

SPAIN

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Closing prices January 17

MONTREAL

Closing prices January 17

OVER-THE-COUNTER

Nasdaq national market, closing prices, January 17

Continued from Page 27

Closing prices, January 17

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28	16	AAR	.56	2.0	17	314	27⅝	27	27½	+½
24⅝	10¼	AGS			17	147	22	21¾	21¾	−¼
50¾	33½	AMR			7	12761	44⅞	43¾	44¼	−⅜
24¾	18⅝	AMR pf	2.18	9.3		5	23½	23⅜	23⅜	−⅛
25⅞	23¼	ANR pf	2.67	11.		987	24⅝	24½	24⅝	−⅛
22	19	ANR pf	2.12	10.		1	20⅝	20⅝	20⅝	−¼
11¾	7⅞	APL			5	7	10½	10⅜	10⅜	
16¾	10¼	ARX			13	125	14½	14⅛	14¼	−¼
55⅝	33¾	ASA	2a	5.0		1441	40⅝	39⅝	39⅝	−¾
27	10½	AVX		2.2		134	14¾	14⅝	14¾	
28⅛	20⅝	AZP	2.72	10.	8	985	27	26½	26⅞	+⅛
72	41⅛	AbtLab	1.40	2.1	17	3967	66¼	65¼	66¼	−1¾
27⅜	19⅝	AccoWld	.50	1.8	21	365	u28⅝	27¼	28¼	+1
24¾	10	AcmeC	.40	2.8	20	482	14½	14	14⅛	−⅜
10½	7	AcmeE	.32b	3.8	13	13	8⅝	8⅝	8⅝	
19¾	15½	AdaEx	1.90e	10.		76	18⅝	18⅛	18⅝	+¼
22¾	14	AdmMl	.40	1.8	9	7	22	21¾	22	+⅛
18⅝	8¾	AdvSys	.38t	7.9	15	297	17⅛	16⅞	17⅛	+⅜
35⅝	22⅛	AMD			43	8593	29⅝	28⅞	29	+⅝
12½	10⅝	Adobe n				184	12⅝	12¼	12⅜	+⅛
18⅝	14⅝	Adob pf	2.40	14.		19	17⅞	17¾	17¾	−⅛
18½	15¼	Adob pf	1.84	10.		16	18⅝	18⅛	18⅛	
14⅝	8⅝	Advest	.12a	.9	20	194	14	13¾	14	+⅛
55½	37	AetnLf	2.64	4.9	17	4195	53⅝	53	53⅝	−⅛
57½	52½	AetL pf	5.19e	9.5		306	54⅝	54⅛	54⅝	−⅛
99⅞	89⅞	AetL pfC				5	u100¼	100¼	100¼	+⅜

Continued on Page 27

NYSE COMPOSITE CLOSING PRICES

Continued from Page 26

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
4¾	2⅝	Wurlitzr				17	3⅝	3½	3½	
16	10⅜	WyleLb	.32	2.1	65	188	15¼	15	15	+¼
23⅜	15½	Wynns	.60	3.6	13	36	16⅞	16⅝	16⅞	+¼
		X Y Z								
61¾	38⅛	Xerox	3	4.9	21	3180	61½	60½	61⅛	-⅛
55¾	49	Xerox pf	5.45	9.8		212	56	55⅛	55⅝	+⅜
31	24⅝	ZaleCp	1.32	4.3	13	344	31	30½	30½	-½
23⅛	19½	ZalepIA	.80	3.3		1	u24	24	24	+1½
17	6¼	Zapata	.12	1.6	54	505	7¾	7⅝	7⅝	¼
66⅛	35⅝	Zayre s	.48	.8	17	357	58⅝	55½	58	⅞
25	18¾	ZenithE			969	462	20	19¼	19⅜	⅝
23⅜	17¼	Zero s	.36	1.7	17	177	21	20¾	20¾	+⅛
41½	26¾	Zurnin	1.32	3.3	14	225	39⅝	38½	39½	+⅞

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices January 17

OVER-THE-COUNTER

Nasdaq national market, closing prices, January 17

Continued on Page 25

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

A week of uncertainty

BY COLIN MILLHAM

Uncertainty overhung the foreign exchanges last week, and although there were various economic figures for the market to react to, there was a reluctance to take out new positions.

In the absence of any market affecting news, the dollar was drifting around in a very narrow range, seeing an improvement in the general economic picture, but also finding little incentive to buy the US currency. Fading hopes of an early cut in the Federal Reserve discount rate had depressed the US bond market, but at the same time failed to provide any surge in the dollar's value.

This was until Mr Martin Bangemann, the West German economics minister, suggested on Wednesday, that his meeting with Mr James Baker, US Treasury secretary, on Monday had produced enthusiasm from the US Administration for a co-ordinated cut in interest rates by the leading industrial countries.

France and Japan appeared keen to discuss this idea at this weekend's meeting of the Group of Five finance ministers, but dealers were very reluctant to take a view on the situation, because the US authorities had tended to play down the possibility of any agreement, while the opinion of West Germany was unknown and the UK had only recently increased rates by 1 per cent.

The general concensus was that nothing would happen, but the merest threat of lower interest rates, or an agreement similar to that of late September which sent the dollar on a very sharp downward slide, was enough to prevent any strong move last week.

Assuming no isolated cut in US interest rates, because if rates are reduced by other countries there is no reason to believe the dollar will suffer unduly, the dollar seems set for a period of consolidation, and possibly some improvement this week.

Fears grew last week that the Gramm Rudman Bill to decrease the US budget deficit would be ruled unconstitutional, and that Government spending and borrowing would remain high enough to prevent any further sharp decline by the dollar.

There was also no sign that Arab states were about to carry out threats of retaliation after the US measures to freeze Libyan assets.

There were few, if any surprises from last week's US economic statistics.

US retail sales in December rose by a better than expected 1.9 per cent, while business inventories increased in line with forecasts at 0.2 per cent in November, and December industrial production rose by a not unexpected 0.7 per cent. Although the gain of 17.5 per cent in December housing starts, and a rise of 0.4 per cent in capacity utilisation was encouraging, the market was obviously waiting for the G5 meeting to finish before deciding which way the dollar was heading.

Sterling suffered nervousness from soft oil prices ahead of the meeting by ministers from the Organisation of Petroleum Exporting Countries next month. The rise in London interest rates the previous week, helped support the pound, and some intervention by the Bank of England was suggested in the market.

£ IN NEW YORK

	Jan. 17	Prev. close
£ Spot	$1.4370-1.4380	$1.4378-1.4338
1 month	0.55-0.54pm	0.54-0.52pm
3 months	1.63-1.60pm	1.59-1.46pm
12 months	5.75-5.66pm	5.50-5.40pm

Forward premiums and discounts apply to the U.S. dollar

CURRENCY MOVEMENTS

Jan. 17	Bank of England Index	Morgan Guaranty Change %
Sterling	77.9	−13.3
U.S. dollar	125.9	+15.5
Canadian dollar	80.6	−11.6
Austrian schilling	123.3	+6.4
Belgian franc	93.1	−9.2
Danish Kroner	83.4	−2.6
Deutsche mark	131.6	+19.2
Swiss franc	150.5	+11.5
Guilder	121.2	+7.3
French franc	70.1	−11.2
Lira	45.3	−19.5
Yen	176.2	+28.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

OTHER CURRENCIES

Jan 16	£	$
Arg'tina	1.1528-1.1551	0.8000-0.8010
Aus'alia	2.0570-2.0610	1.4280-1.4295
Brazil	16.124-16.215	11.190-11.245
Finland	7.8140-7.8300	5.4340-5.4360
Greece	213.25-217.56	148.85-151.35
H'kong	11.2659-11.2669	7.8065-7.8085
Iran	122.45*	84.30*
Kuwait	0.4165-0.4175	0.28950-0.28970
Lux'burg	72.25-72.35	50.25-50.35
Malaysia	3.5150-3.5250	2.4450-2.4470
N'Zland	2.7680-2.7790	1.9175-1.9230
Saudi Ar.	5.2635-5.2645	3.6495-3.6508
Sin'pore	3.0660-3.0680	2.1250-2.1270
S.Af.(Cm)	3.3015-3.3165	2.2935-2.3040
S.Af.(Fn)	4.1160-4.2335	2.8570-2.9410
U.A.E.	5.2789-5.2869	3.6715-3.6735

* Selling rate.

CURRENCY RATES

Jan. 17	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.761542	0.615816
U.S.$	7½	1.09365	0.885543
Canadian $	10.21	*	1.24153
Austria Sch.	4	18.9530	15.3465
Belgian Fr	9¾	55.0967	44.6092
Danish Kr	7	9.87019	8.00309
D'mark	4	N/A	2.18331
Guilder	5	3.03761	2.45961
French Fr	9½	N/A	6.70179
Lira	15½	1838.43	1488.60
Yen	5	221.500	179.234
Norway Kr.	8	8.32268	6.73898
Span'h Pta.	—	168.376	136.339
Swedish K	9½	N/A	6.75891
Swiss Fr	4	2.28704	1.85140
Greek Dr'ch	20½	163.875	132.761
Irish Punt	—	N/A	0.715590

*C$/SDR rate for Jan 16: 1.53867.

POUND SPOT—FORWARD AGAINST POUND

Jan 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4355-1.4415	1.4370-1.4380	0.56-0.53c pm	4.55	1.63-1.58 pm	4.67
Canada	2.0111-2.0169	2.0132-2.0161	0.43-0.54c dis	−2.89	1.29-1.11 pm	2.35
Nethlnd.	3.98¼-3.99¾	3.98½-3.99½	2¾-2⅝c pm	7.15	7-6⅞ pm	6.83
Belgium	72.25-72.66	72.35-72.45	19-10c pm	2.41	48-35 pm	2.30
Denmark	12.95-13.00¾	12.97-12.98	4⅞-3⅞ore pm	3.53	11⅞-10⅞ pm	3.41
Ireland	1.1590-1.1635	1.1605-1.1615	0.01-0.23p dis	−1.24	0.04-0.66dis	−1.21
W. Ger.	3.53¼-3.54¾	3.53¾-3.54¾	2⅞-2⅛pf pm	8.05	7⅝-6⅞ pm	7.83
Portugal	226.69-228.93	228.69-228.29	125-415c dis	−14.31	375-1165dis	−13.60
Spain	221.69-221.26	221.06-221.26	30c pm-5 dis	−0.08	5 pm-110dis	−0.95
Italy	2411½-2421½	2412½-2413½	8-14lire dis	−5.47	25-34 dis	−4.89
Norway	10.90¼-10.94¾	10.91¼-10.92¼	par-¾ore dis	−0.48	¼-1 dis	−0.23
France	10.85-10.94½	10.85-10.86	2½-1½c pm	2.48	½ pm-1½ dis	−0.12
Sweden	10.95-10.96¾	10.95¾-10.76¾	¼ore pm-¼ dis	−0.07	1½-½ pm	0.30
Japan	290-291½	290½-291½	1.47-1.33y pm	5.79	4.51-4.10 pm	5.79
Austria	24.81-24.95	24.89-24.91	12½-11⅛gro pm	5.75	37-34½ pm	5.72
Switz.	2.99¼-3.01	3.00-3.01	2¼-2c pm	8.46	6¼-6⅜ pm	8.40

Belgian rate is for convertible francs. Financial franc 73.35-73.45. Six-month forward dollar 3.22-3.17c pm. 12-month 5.75-5.60c pm.

FORWARD RATES AGAINST STERLING

	Spot	1-month	3-month	6-month	12-month
Dollar	1.4375	1.4321	1.4218	1.4056	1.3808
D-Mark	3.5425	3.5186	3.4735	3.4085	3.2898
French Franc	10.8650	10.8370	10.8527	10.7440	[illegible]
Swiss Franc	3.0050	2.9832	2.9424	2.8817	2.7756
Japanese Yen	290.75	289.36	286.56	282.08	274.54

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu January 17	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	44.6092	−0.50	+1.06	±1.5425
Danish Krone	8.12857	8.00309	−1.54	+0.01	±1.6421
German D-mark	2.23840	2.18331	−2.46	−0.91	±1.1465
French Franc	6.86402	6.70179	−2.36	−0.81	±1.3854
Dutch Guilder	2.52208	2.45951	−2.48	−0.93	±1.5162
Irish Punt	0.724578	0.715590	−1.24	+0.31	±1.6673
Italian Lira	1520.60	1488.60	−2.10	−1.57	±4.0856

Changes are for Ecu, therefore positive change denotes a week currency. Adjustment calculated by Financial Times.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Jan 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4355-1.4415	1.4370-1.4380	0.56-0.53c pm	4.55	1.63-1.58 pm	4.67
Ireland†	1.2355-1.2400	1.2382-1.2392	0.70-0.50c pm	5.81	2.05-1.45 pm	5.65
Canada	1.3993-1.4025	1.4010-1.4015	0.25-0.28c dis	−2.27	0.72-0.77 ds	−2.13
Nethlnd.	2.7665-2.7800	2.7725-2.7735	0.57-0.54c pm	2.40	1.62-1.59 pm	2.31
Belgium	50.24-50.40	50.25-50.35	7-11c dis	−2.14	25-32 dis	−2.26
Denmark	9.00¾-9.04½	9.02¼-9.02¾	⅛-½ore dis	−0.58	⅛-1 dis	−.030
W. Ger.	2.4565-2.4690	2.4630-2.4640	0.76-0.71pf pm	3.58	2.11-2.06 pm	3.38
Portugal	158¾-159¾	158¾-159¾	150-350c dis	−18.93	450-1000d	−18.30
Spain	153.75-154.17	154.00-154.15	35-65c dis	−3.90	170-230 dis	−5.19
Italy	1676-1682½	1678-1679	12½-15½lire ds	−10.01	37½-42½ ds	−9.53
Norway	7.59-7.61	7.59½-7.60	3½-3½ore dis	−5.23	8⅞-9¼ dis	−4.77
France	7.54¾-7.56	7.55-7.55½	1.00-1.30c dis	−1.82	7.75-8.50ds	−4.30
Sweden	7.60¾-7.63¾	7.62¾-7.63¼	2½-3½ore dis	−4.62	8½-8½ dis	−4.35
Japan	201.90-202.75	202.25-202.35	0.23-0.18y pm	1.22	0.71-0.64 pm	1.33
Austria	17.29-17.35	17.30-17.32	2⅛-1½gro pm	1.21	6½-4 pm	1.21
Switz.	2.0800-2.0955	2.0895-2.0905	0.74-0.69c pm	4.11	2.08-2.03 pm	3.93

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 51.05-51.10

EURO-CURRENCY INTEREST RATES

Jan. 17	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	12¼-12½	12¼-12½	12 11/16-12 13/16	12 13/16-12 15/16	12⅞-13	12¾-12⅞
U.S. Dollar	7¾-7⅞	8-8⅛	8-8⅛	8-8⅛	8 1/16-8 3/16	8 3/16-8 5/16
Can Dollar	9⅞-10	9⅞-10	10-10¼	10-10¼	9 15/16-10 1/16	9 15/16-10 1/16
D Guilder	5 11/16-5 13/16	5 11/16-5 13/16	5 11/16-5 13/16	5 11/16-5 13/16	5 11/16-5 13/16	5 11/16-5 13/16
Sw. Franc	1¾-2	1¾-2	4-4⅛	4-4⅛	4 1/16-4 3/16	4⅛-4¼
Deutschmrk	4½-4⅝	4½-4⅝	4½-4⅝	4 7/16-4 9/16	4 7/16-4 9/16	4⅝-4¾
Fr. Franc	8⅞-9	9-9¼	9¾-10	12-12¼	12-12¼	11¾-11⅞
Italian Lire	15-18	16-19½	16¼-17¾	17¼-18¼	16¾-17½	16⅞-16½
B.Fr.(Fin)	9¾-10	9¾-10	9¾-10	9¾-10	9½-9¾	9¼-9½
Br.Fr(Con)	9¾-10	10-10⅛	10⅛-11	10⅛-11	9⅞-10⅛	9½-10
Yen	7-7⅛	7-7⅛	7-7 1/16	6 11/16-6 13/16	6½-6⅝	6½-6⅝
D. Krone	8-9½	8¼-8¾	8⅞-9⅛	8⅞-9⅛	8⅞-9¼	8¾-9¼
Asian $ (Sng)	8-8⅛	8-8⅛	8 1/16-8 3/16	8-8⅛	8-8⅛	8¼-8⅜

Long-term Eurodollars: two years 8¾-9 per cent; three years 9-9¼ per cent; four years 9¼-9½ per cent; five years 9½-9¾ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4375	1.4321	1.4218	1.4056	1.3808

IMM—STERLING $s per £

	Close	High	Low	Prev
March	1.4260	1.4315	1.4230	1.4260
June	1.4090	1.4140	1.4060	1.4085
Sept	1.3950	1.3995	1.3960	1.3960
Dec	1.3845	1.3900	1.3850	1.3860

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
March	1.4290	1.4315	1.4249	1.4310
June	1.4130	—	—	1.4147
Sept	1.3985	—	—	1.4015

Est volume 11 (60)
Previous day's open int 1,945 (1,960)

LIFFE—DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
March	0.4084	0.4088	0.4077	0.4084
June	0.4118	—	—	0.4119

Est volume 5 (14)
Previous day's open int 184 (184)

CHICAGO

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	83-23	84-06	83-18	83-11
June	82-18	83-00	82-13	82-06
Sept	81-18	82-00	81-14	81-06
Dec	80-21	81-02	80-18	80-10
March	79-27	80-07	79-24	79-17
June	79-04	79-16	79-02	78-27
Sept	—	—	—	—
Dec	77-31	78-10	77-30	77-23
March	77-16	—	—	77-09
June	77-03	—	—	76-29

US TREASURY BILLS (IMM) $1m points of 100%

	Close	High	Low	Prev
March	93.03	93.06	93.01	93.00
June	92.89	92.93	92.85	92.85
Sept	92.67	92.70	92.64	92.63
Dec	92.44	92.47	92.42	92.41
March	92.21	92.24	92.20	92.17
June	91.99	92.03	91.98	91.97
Sept	91.78	91.82	91.78	91.76
Dec	91.58	91.63	91.58	91.60

CERT DEPOSIT (IMM) $1m points of 100%

	Close	High	Low	Prev
March	92.31	92.32	92.29	92.29
June	92.13	92.13	—	92.12
Sept	91.85	—	—	91.86
Dec	91.59	—	—	91.61

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Close	High	Low	Prev
March	91.99	92.04	91.96	91.99
June	91.81	91.87	91.78	91.81
Sept	91.55	91.61	91.54	91.56
Dec	91.29	91.36	91.28	91.31
March	91.03	91.11	91.02	91.06
June	90.77	90.86	90.77	90.81
Sept	90.53	90.63	90.54	90.58
Dec	90.31	90.41	90.35	90.36

LIFFE—EURODOLLAR OPTIONS $1m points of 100%

Strike price	Calls—Last March	June	Sept	Vol	Puts—Last March	June	Sept	Vol
90.00	1.99	1.94	—	—	0.00	0.02	—	—
90.50	1.49	1.37	1.26	—	0.00	0.06	0.17	—
91.00	1.00	0.94	0.88	—	0.01	0.12	0.28	—
91.50	0.55	0.57	0.57	—	0.06	0.25	0.48	8
92.00	0.22	0.29	0.33	—	0.23	0.47	0.74	10
92.50	0.05	0.12	0.18	—	0.58	0.80	1.07	—
93.00	0.01	0.04	0.07	—	1.02	1.22	1.48	—

Previous day's open int: Calls 2,683, Puts 2,237

LIFFE £/$ OPTIONS £25,000 (cents per £1)

Strike price	Calls—Last Feb	Mar	Apr	June	Sept	Puts—Last Feb	Mar	Apr	June	Sept
1.20	—	23.91	—	23.91	—	—	0.00	—	0.13	—
1.25	—	18.91	—	18.91	—	—	0.01	—	0.42	—
1.30	—	13.91	—	13.91	13.91	—	0.08	—	1.06	2.26
1.35	8.91	8.31	8.91	8.91	8.91	0.08	0.47	1.03	2.29	3.91
1.40	4.12	4.55	5.01	5.56	6.15	0.69	1.65	2.57	4.26	6.20
1.45	1.29	1.99	2.58	3.34	4.08	2.86	4.09	5.14	7.04	9.13
1.50	0.23	0.68	1.15	1.86	2.59	6.80	7.78	8.71	10.55	12.84

Estimated volume total: Calls 3, Puts 81
Previous day's open interest: Calls 7,313, Puts 7,640

LONDON SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last Feb	Mar	Apr	June	Sept	Puts—Last Feb	Mar	Apr	June	Sept
1.20	—	24.20	—	24.00	—	—	0.15	—	0.25	—
1.25	—	19.20	—	19.00	19.00	—	0.25	—	0.40	1.30
1.30	—	14.20	—	14.00	14.00	—	0.30	—	1.20	2.50
1.35	9.20	9.20	9.00	9.10	9.70	0.20	0.75	1.30	2.60	4.00
1.40	4.50	5.10	5.20	5.70	6.50	0.85	1.75	2.80	4.40	6.10
1.45	1.60	2.20	2.60	3.65	4.30	3.10	4.25	5.30	7.00	8.90
1.50	0.50	0.85	1.20	1.90	2.60	7.00	8.00	8.80	10.20	12.20

Previous day's open int: Calls 5,894, Puts 6,464
Volume: 572

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last Feb	Mar	Apr	June	Sept	Puts—Last Feb	Mar	Apr	June	Sept
1.20	—	—	—	—	—	—	—	—	—	—
1.25	—	—	—	—	—	—	—	—	—	—
1.30	—	—	—	—	—	—	—	—	—	—
1.35	—	—	—	—	—	—	0.70	—	—	—
1.40	—	4.85	—	5.75	—	0.95	1.90	—	4.15	—
1.45	1.30	1.85	—	3.40	—	—	4.40	—	—	—
1.50	—	0.80	—	1.80	—	—	—	—	—	—

Previous day's open int: Calls 55,359, Puts 46,071
Volume (midday): Calls 1,472, Puts 1,216

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
March	109-01	109-03	108-07	108-18
June	108-18	—	—	109-03
Sept	109-28	—	—	109-13

Est volume 2,847 (6,531)
Previous day's open int 6,324 (6,718)
Basis quote (clean cash price of 13¾% Treasury 2004/08 less equivalent price of near futures contract) −4 to +6 (32nds)

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

	Close	High	Low	Prev
March	95-05	95-08	94-45	94-32
June	95-35	—	—	95-18

Est volume 246 (936)
Previous day's open int 1,082 (1,321)

US TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	83-22	84-05	83-14	82-25
June	82-18	—	—	81-20

Est volume 6,386 (9,523)
Previous day's open int 4,213 (3,830)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
March	87.17	87.17	87.04	87.16
June	87.64	87.64	87.53	87.62
Sept	88.04	87.97	87.94	88.05
Dec	88.25	88.19	88.10	88.32
March	88.30	88.26	88.26	88.37

Est volume 2,082 (7,303)
Previous day's open int 9,748 (10,316)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
March	140.90	141.50	140.40	140.25
June	142.30	—	—	141.75

Est volume 141 (499)
Previous day's open int 1,838 (2,040)

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
March	91.99	92.05	91.96	91.92
June	91.82	91.88	91.81	91.75
Sept	91.59	91.65	91.58	91.53
Dec	91.34	91.42	91.35	91.30
March	91.09	—	—	91.05
June	90.86	—	—	90.81
Sept	90.62	—	—	90.56

Est volume 4,301 (8,517)
Previous day's open int 20,000 (19,838)

EXCHANGE CROSS RATES

Jan 17	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.438	3.543	290.8	10.86	3.005	3.988	2413.	2.015	72.30
$	0.696	1.	2.464	202.3	7.558	2.090	2.773	1679.	1.402	50.30
DM	0.282	0.406	1.	82.07	3.064	0.848	1.126	681.2	0.569	20.41
YEN	3.439	4.944	12.18	1000.	37.33	10.34	13.71	8299.	6.929	248.7
F Fr.	0.921	1.324	3.263	267.8	10.	2.766	3.673	2223.	1.856	66.61
S Fr.	0.333	0.478	1.179	96.76	3.612	1.	1.327	803.0	0.670	24.06
H Fl.	0.251	0.361	0.888	72.92	2.722	0.754	1.	605.1	0.505	18.13
Lira	0.414	0.596	1.468	120.5	4.499	1.245	1.653	1000.	0.835	29.96
C $	0.496	0.714	1.756	144.3	5.388	1.492	1.979	1198.	1.	35.89
B Fr.	1.383	1.988	4.900	402.1	15.01	4.156	5.515	3337.	2.787	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

MONEY MARKETS

London fears higher rates

Interest rates traded very nervously in London last week, with volume in the three-month sterling deposit contract on the London International Financial Futures Exchange remaining high, as traders continued to find attraction in Liffe to offset any exposure on the cash market, and make use of the increasing liquidity in futures.

Interest rates rose sharply on Tuesday morning, touching almost 14 per cent, before the Bank of England sent the strongest possible message to the market that another rise in bank base rates would be regarded as inappropriate.

Market nerves were excited by the Government's problems over Westland Helicopters, after weak oil prices and high bank lending figures in December, had already severely undermined confidence.

UK clearing banks base lending rate 12½ per cent since January 9

The Bank of England injected a possible £2bn into the money market, in an attempt to keep the lid on market pressure. Up to £1bn was offered to the banks through a repurchase agreement on gilts or other Government backed paper, and over another £1bn through the bill market.

But dealers remained sceptical that this would have any long-term effect, unless the Group of Five meeting at the weekend came up with a substantial agreement to cut world interest rates, or there was an unexpected upturn in oil prices. North Sea crude finished the week on a very depressed note, ahead of next months meeting of Opec ministers.

NEW YORK

(4 pm)

Prime rate	9½
Broker loan rate	9
Fed funds	7¾
Fed funds at intervention	

Treasury Bills & Bonds

One month	6.89
Two months	7.03
Three month	7.35
Six month	7.61
One year	7.79
Two year	8.44
Three year	8.45
Four year	8.60
Five year	8.76
Seven year	9.08
10 year	9.25
30 year	9.43

BANK OF ENGLAND TREASURY BILL TENDER

	Jan. 17	Jan. 10		Jan. 17	Jan. 10
Bills on offer	£100m	£100m	Top Accepted rate of discount	12.2135%	12.2135%
Total of applications	£328m	£371.36m	Average rate of discount	12.1937%	12.1923%
Total allocated	£100m	£100m	Average yield	12.58%	12.57%
Minimum accepted bid	£96.965	£96.955	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	1%	5%			

WEEKLY CHANGE IN WORLD INTEREST RATES

	Jan. 17	change		Jan. 17	change
LONDON			NEW YORK		
Base rates	12½	Unch'd	Prime rates	9½	Unch'd
7 day Interbank	12⅝	+⅜	Federal funds	7¾	−1/16
3mth Interbank	12⅞	+⅛	3 Mth. Treasury Bills	7.34	−0.06
Treasury Bill Tender	12.1937	+0.0814	6 Mth. Treasury Bills	7.58	−0.08
Band 1 Bills	12⅝	Unch'd	3 Mth. C D	7.85	−0.07
Band 2 Bills	12 9/16	Unch'd			
Band 3 Bills	12¼	Unch'd	FRANKFURT		
Band 4 Bills	12 7/16	Unch'd	Lombard	5.6	Unch'd
3 Mth. Treasury Bills	12 7/16	Unch'd	One Mth. Interbank	4.725	Unch'd
1 Mth. Bank Bills	12⅝	Unch'd	Three month	4.625	−0.05
3 Mth. Bank Bills	12 7/16	Unch'd			
			PARIS		
TOKYO			Intervention Rate	8¾	Unch'd
One month Bills	7.09375	−0.0625	One Mth. Interbank	8⅞	−⅛
Three month Bills	7.09375	Unch'd	Three month	9 1/16	+1/16
BRUSSELS			MILAN		
One month	9⅞	−⅛	One month	15 5/16	+¼
Three month	9⅞	−⅛	Three month	14 11/16	Unch'd
AMSTERDAM			DUBLIN		
One month	5¾	Unch'd	One month	10¾	Unch'd
Three month	5¾	Unch'd	Three month	12	Unch'd

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 2 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

MONEY RATES

Jan. 17	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'ntion
Frankfurt	4.45 4.56	4.65-4.80	4.50 4.65	4.55 4.70	4.60 4.75	5.6
Paris	8¾	8 13/16 8 15/16	8 15/16-9 1/16	9-9⅛	9-9⅛	8¾
Zurich	⅞-1⅛	3 13/16 4 1/16	—	3 13/16 4 1/16	—	—
Amsterdam	5¾ 5⅞	5 11/16-5 13/16	—	5 11/16-5 13/16	—	—
Tokyo	6.90625	7.09375	—	—	—	—
Milan	14⅝-15	15⅜-15¾	—	14¾-15⅛	—	—
Brussels	9.90	9¾-9⅞	—	9¾-9⅞	—	—
Dublin	8.8½	10⅝-10⅞	11½-11¾	11⅞-12⅛	12-12¼	—

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan. 17)

Three months U.S. dollars		Six months U.S. dollars	
bid 8 1/8	offer 8 1/4	bid 8 1/8	offer 8 1/4

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Jan. 17	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	9-17	12 12¾	12 11/16-12 13/16	12 13/16-12 15/16	12 13/16-13	12 11/16-12⅞
Sterling CDs	—	—	12⅝-12 13/16	12¾-12 15/16	12 11/16-12 13/16	12 9/16-12 11/16
Local Authority Depos	12⅛-12¼	12-12¼	12⅝	12 13/16	12 11/16	12 11/16
Local Authority Bonds	—	—	15¼	13⅜	13⅝	13
Discount Mkt Depos	9-12	11⅛-11¾	12⅝	12¼	—	—
Company Depos	12¼-12½	12⅝-12⅝	12⅞	13⅛	—	—
Finance Hse Depos	—	—	12¾	12⅞	12⅞	—
Treasury Bills (Buy)	—	—	12⅝	12 7/16	—	—
Bank Bills (Buy)	—	—	12⅝	12 7/16	12¼	—
Fine Trade Bills (Buy)	—	—	13	12 13/16	12⅞	—
Dollar CDs	—	—	7.95-8.00	7.95 8.00	7.95 8.00	8.10-8.15
SDR Linked Depos	—	—	7 13/16-8 1/16	8 1/16-8 3/16	8 1/16-8 3/16	8⅛-8⅜
ECU Depos	—	—	9¼ 9¼	9 5/16-9 7/16	9 5/16-9 7/16	9 5/16-9 7/16

Treasury Bills (sell): one-month 12¾ per cent; three-months 12⅝ per cent. Bank Bills (sell): one-month 12 9/16 per cent; three-month 12 5/32-12 7/32 per cent. Treasury Bills: Average tender rate at discount 12.1937 per cent. ECGD Fixed Finance Scheme IV reference date December 4 to January 7 (inclusive): 11.838 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 per cent from January 1 1986. Bank Deposit Rates for sums at seven days' notice 6¼-6¾ per cent. Certificates of Tax Deposits (Series 8). Deposits £100,000 and over held under one month 12 per cent; one-three months 12¼ per cent; three-six months 12¼ per cent; six-nine months 12¼ per cent; nine-12 months 12¼ per cent. Under £100,000 11¾ per cent from January 14. Deposits held under Series 5 11¾ per cent. Deposits withdrawn for cash 7½ per cent.

Company Notices

Announcements